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*Child Support Enforcement Program Incentive Payments:  
Background and Policy Issues*

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October 5, 2007

**Abstract.** This report describes the current CSE incentive payment system, explains how state incentive payments are derived, presents some of the state trends, and discusses the following list of issues: (1) does the CSE incentive payment system reward good performance? (2) should incentive payments be based on additional performance indicators? (3) should TANF funds be reduced because of poor CSE performance? (4) why aren't the incentives and penalties consistent for the paternity establishment performance measure? (5) should incentive payments be based on individual state performance rather than aggregate state performance? and (6) will the elimination of the federal match of incentive payments adversely affect CSE programs? The data analysis in this report covers the five-year period FY2002-FY2006.

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# Child Support Enforcement Program Incentive Payments: Background and Policy Issues

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October 5, 2007

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## Summary

The Child Support Enforcement (CSE) program was enacted in 1975 as a federal-state-local partnership to help strengthen families by securing financial support from noncustodial parents. The CSE program serves both welfare and non-welfare families. All 50 states and the four jurisdictions of the District of Columbia, Guam, Puerto Rico and the Virgin Islands operate CSE programs. In FY2006, the CSE program collected \$23.9 billion in child support payments and served 15.8 million child support cases. In FY2006, CSE program expenditures amounted to \$5.6 billion. The CSE program is funded with both state and federal dollars. The federal government bears the majority of CSE program expenditures and provides incentive payments to the states for success in meeting CSE program goals.

P.L. 105-200, the Child Support Performance and Incentive Act of 1998, replaced the old incentive payment system to states with a revised system that provides incentive payments based on a percentage of the state's CSE collections and incorporates five performance measures related to establishment of paternity and child support orders, collections of current and past-due support payments, and cost-effectiveness. P.L. 105-200 set specific annual caps on total federal incentive payments and required states to reinvest incentive payments back into the CSE program. The exact amount of a state's incentive payment depends on its level of performance (or the rate of improvement over the previous year) when compared with other states. In addition, states are required to meet data quality standards. If states do not meet specified performance measures and data quality standards, they face federal financial penalties.

P.L. 109-171 (the Deficit Reduction Act of 2005) prohibited federal matching (effective October 1, 2007) of state expenditure of federal CSE incentive payments. This means that CSE incentive payments that are received by states can no longer be used to draw down federal funds. The repeal of federal reimbursement for incentive payments reinvested in the CSE program has garnered much concern over its fiscal impact on the states and has renewed interest in the incentive payment system per se.

This report describes the current CSE incentive payment system, explains how state incentive payments are derived, presents some of the state trends, and discusses the following list of issues: (1) does the CSE incentive payment system reward good performance? (2) should incentive payments be based on additional performance indicators? (3) should TANF funds be reduced because of poor CSE performance? (4) why aren't the incentives and penalties consistent for the paternity establishment performance measure? (5) should incentive payments be based on individual state performance rather than aggregate state performance? and (6) will the elimination of the federal match of incentive payments adversely affect CSE programs?

The data analysis in this report covers the five-year period FY2002-FY2006. This report will not be updated.

# Contents

Introduction ..... 1

Background ..... 3

    Financing Elements of the CSE Program..... 3

    Purpose of the Current CSE Incentive Payment System..... 5

Calculation of State CSE Incentive Payments..... 5

    Data Reliability ..... 8

Federal Financial Penalties..... 9

State Trends ..... 10

    Performance Incentive Scores.....11

        Paternity Establishment Percentage (PEP) ..... 12

        Child Support Order Establishment Percentage..... 13

        Current Child Support Collections Scores ..... 14

        Child Support Arrearage Cases Scores ..... 15

        Cost-Effectiveness Scores..... 16

    Incentive Payments for All Performance Measures ..... 17

    Relationship Between Incentive Payments and Performance Measures..... 18

Policy Issues ..... 19

    Does the CSE Incentive Payment System Reward Good Performance? ..... 20

        CSE Collections..... 20

        Artificial Thresholds Related to Performance Levels..... 21

    Should Incentive Payments Be Based on Additional Performance Indicators? ..... 22

        Medical Child Support..... 23

        Interstate Collections ..... 23

        Welfare Cost Avoidance..... 24

        Payment Processing Performance..... 24

    Should TANF Funds Be Reduced Because of Poor CSE Performance?..... 24

    Why Aren't the Incentives and Penalties Consistent for the Paternity Establishment  
    Performance Measure?..... 26

    Should Incentive Payments Be Based on Individual State Performance Rather Than  
    Aggregate State Performance?..... 27

    Will the Elimination of the Federal Match of Incentive Payments Adversely Affect  
    CSE Programs? ..... 28

## Figures

Figure 1. Paternity Establishment Scores: Maximum, Median, Minimum ..... 13

Figure 2. Child Support Order Establishment Scores: Maximum, Median, Minimum..... 14

Figure 3. Child Support Current Collections Scores: Maximum, Median, Minimum ..... 15

Figure 4. Child Support Arrearage Cases Scores: Maximum, Median, Minimum..... 16

Figure 5. Cost-Effectiveness Scores: Maximum, Median, Minimum ..... 17

http://wikileaks.org/wiki/CRS-RL34203

## **Tables**

Table B-1. Actual Incentive Payments, by State, FY2002-FY2005 .....	36
Table B-2. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2002.....	38
Table B-3. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2003.....	41
Table B-4. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2004.....	44
Table B-5. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2005.....	47
Table B-6. Child Support Enforcement Unaudited Incentive Performance Scores, FY2006.....	51

## **Appendixes**

Appendix A. Legislative History of CSE Incentive Payments .....	31
Appendix B. Tables .....	35

## **Contacts**

Author Contact Information .....	54
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## Introduction

Since the Child Support Enforcement (CSE) program's enactment in 1975, the federal government has paid incentives (monetary payments) to states to encourage them to operate efficient and effective CSE programs.<sup>1</sup> The incentive payment system is part of the CSE program's strategic plan that rewards states for working to achieve the goals and objectives of the program. Incentive payments, although small when compared to federal reimbursement payments for state and local CSE activities, are a very important component of the CSE financing structure. Together with the incentive payment system is a penalty system that imposes financial penalties on states that fail to meet certain performance levels. The purpose of the two complementary systems is to reward states for results while holding them accountable for poor performance, thereby motivating states to focus their efforts on providing vital CSE services.

P.L. 105-200, the Child Support Performance and Incentive Act of 1998 (enacted July 16, 1998), replaced the old incentive payment system to states<sup>2</sup> with a revised revenue-neutral (with respect to the federal government) incentive payment system that (1) provided incentive payments based on a percentage of the state's CSE collections; (2) incorporated five performance measures related to establishment of paternity and child support orders, collections of current and past-due child support payments, and cost-effectiveness; (3) phased in the incentive system, with it being fully effective beginning in FY2002; (4) required reinvestment of incentive payments into the CSE program; and (5) used an incentive payment formula weighted in favor of Temporary Assistance for Needy Families (TANF) and former TANF families.

P.L. 105-200 stipulated that the revised incentive payment system had to be revenue-neutral (with respect to the federal government), which resulted in an annual cap on incentive payments. Congress capped incentive payments by legislating the total amount of incentive payments that states (in aggregate) could earn in each fiscal year. Federal law stipulates that the aggregate incentive payment to the states can not exceed the following amounts: \$422 million for FY2000, \$429 million for FY2001; \$450 million for FY2002; \$461 million for FY2003, \$454 million for FY2004; \$446 million for FY2005; \$458 million for FY2006; \$471 million for FY2007; and \$483 million for FY2008. For years after FY2008, the aggregate incentive payment to the states is to be increased to account for inflation. Congress based the capped aggregate incentive

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<sup>1</sup> The 1975 enacting legislation (P.L. 93-647) based incentive payments solely on child support collections made on behalf of welfare (i.e., Aid to Families with Dependent Children (AFDC)) families. In 1984, pursuant to P.L. 98-378, the law expanded the incentive payments formula to include child support collections made on behalf of nonwelfare families. For a legislative history of CSE incentive payments, see **Appendix A**. Also note that the AFDC entitlement program was replaced by the Temporary Assistance for Needy Families (TANF) block grant pursuant to P.L. 104-193 (the 1996 welfare reform law).

<sup>2</sup> Under the old incentive payment system, each state received a minimum incentive payment equal to at least 6% of the state's total amount of child support collections made on behalf of AFDC/TANF families for the year, plus at least 6% of the state's total amount of child support collections made on behalf of non-AFDC/TANF families for the year. The amount of a state's incentive payment could reach a maximum of 10% of the AFDC/TANF collections plus 10% of the non-AFDC/TANF collections, depending on the state's ratio of CSE collections to CSE expenditures. There was an additional limit (i.e., cap), however, on the incentive payment for non-AFDC/TANF collections. The incentive payment for such collections could not exceed 115% of incentive payments for AFDC/TANF collections. In addition, the old incentive payment system incorporated only one performance measure (i.e., cost-effectiveness) in determining incentive payments to states. One of the main criticisms of the old incentive payment system was that it did not provide an incentive for states to improve their programs because every state regardless of performance received the minimum incentive payment. There was general agreement by Congress that states whose CSE programs performed poorly should not be rewarded with federal funds.

payment amount on Congressional Budget Office (CBO) projections of incentive payments at the time that the Child Support Performance and Incentive bill was passed.<sup>3</sup>

P.L. 105-200 also revised the financial penalty system for the CSE program to reflect that improved performance is especially critical in three areas: paternity establishment, child support order establishment, and current child support collections. If specified performance standards are not met in these three areas, financial penalties against the state's TANF program are imposed.

Before the beginning of FY2008, the federal government was required to match incentive funds that states reinvested in the CSE program. P.L. 109-171 (the Deficit Reduction Act of 2005) prohibits federal matching (effective October 1, 2007) of state expenditure of federal CSE incentive payments. This means that CSE incentive payments that are received by states and reinvested in the CSE program are no longer eligible for federal reimbursement. So, instead of receiving 66% federal matching funds for incentive payments that are reinvested in the CSE program, the states receive no federal matching funds for such incentive payments. The repeal of federal matching funds for incentive payments reinvested in the CSE program has garnered much concern over its fiscal impact on the states and has renewed interest in the incentive payment system per se.

This report describes the current CSE incentive payment system, provides information on financial penalties that are imposed on states if incentive payment data are unreliable or if performance standards are not met, explains how state incentive payments are derived, discusses some of the state trends, and presents some policy issues concerning incentive payments.

In addition, the report includes two appendices. **Appendix A** presents a legislative history of CSE incentive payments. **Appendix B** includes several detailed state tables that display unaudited incentive performance scores for each of the five performance measures.<sup>4</sup> **Table B-1** shows incentive payments by state for each of the following years—FY2002, FY2003, FY2004, and FY2005—and the amount that each state received.<sup>5</sup> **Table B-2** presents CSE incentive payments for FY2002 together with unaudited incentive performance scores for each of the five performance measures for FY2002. **Table B-3** presents CSE incentive payments for FY2003 together with unaudited incentive performance scores for each of the five performance measures for FY2003. **Table B-4** presents CSE incentive payments for FY2004 together with unaudited incentive performance scores for each of the five performance measures for FY2004. **Table B-5** presents CSE incentive payments for FY2005 together with unaudited incentive performance scores for each of the five performance measures for FY2005. **Table B-6** shows only the unaudited incentive performance scores for FY2006.

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<sup>3</sup> In FY1998, the incentive payment, which at that time came out of the gross federal share of child support collected on behalf of TANF families, was \$395 million. Beginning in FY2002, child support incentive payments were no longer paid out of the federal share of child support collections made on behalf of TANF families. Instead, federal funds have been specifically appropriated out of the U.S. Treasury for CSE incentive payments.

<sup>4</sup> The unaudited incentive performance scores are readily available each year when the federal Office of Child Support Enforcement (OCSE) publishes its preliminary data report. In this report the unaudited scores serve as a proxy for the actual (audited) performance indicator scores upon which actual incentive payments are based. (OCSE does not consistently publish actual (audited) performance indicator scores.)

<sup>5</sup> OCSE has not yet published data on CSE incentive payments by state for FY2006.

## Background

The CSE program was enacted in 1975 as a federal-state-local partnership to help strengthen families by securing financial support from noncustodial parents. The CSE program serves both welfare and non-welfare families. In FY2006, the CSE program collected \$23.9 billion in child support payments and served 15.8 million child support cases. In FY2006, total CSE program expenditures amounted to \$5.6 billion, of which \$458 million were incentive payments (i.e., 8% of total program expenditures). In FY2006, the CSE program collected \$4.58 in child support (from noncustodial parents) for every dollar spent on the program. The CSE program is funded with both state and federal dollars. The federal government bears the majority of CSE program expenditures and provides incentive payments to the states for success in meeting CSE program goals.

## Financing Elements of the CSE Program

There are five funding streams for the CSE program. (For more details, see CRS Report RL33422, *Analysis of Federal-State Financing of the Child Support Enforcement Program*, by Carmen Solomon-Fears.)

First, states spend their own money to operate a CSE program; the level of funding allocated by the state and localities determines the amount of resources available to CSE agencies.<sup>6</sup>

Second, the federal government reimburses each state 66% of all allowable expenditures on CSE activities. The federal government's funding is "open-ended" in that it pays its percentage of expenditures by matching the amounts spent by state and local governments with no upper limit or ceiling. The federal government's financial participation in the CSE program is the program's largest revenue source.

Third, the federal government provides states with an incentive payment to encourage them to operate effective programs. Federal law requires states to reinvest CSE incentive payments back into the CSE program or related activities. Effective October 1, 2007, P.L. 109-171 (enacted February 8, 2006) prohibits federal matching of state expenditures of federal CSE incentive payments. This means that beginning October 1, 2007, CSE incentive payments that are received by states and reinvested in the CSE program are no longer eligible for federal reimbursement.

Fourth, states collect child support on behalf of families receiving Temporary Assistance for Needy Families (TANF) to reimburse themselves (and the federal government) for the cost of

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<sup>6</sup> As indicated earlier, the federal share of total CSE expenditures is 66%. This means that the state's share of total CSE expenditures is 34%. The following report found that in aggregate 25% of the state's share of CSE expenditures is financed with incentive payments (i.e., dollars received from the federal government). According to a Department of Health and Human Services (HHS)-commissioned report, "While the mix of funding sources for each state is different, financing for the state and local share of CSE expenditures for the nation as a whole comes from state general fund appropriations (42%), federal incentive payments (25%), the state share of retained TANF collections (15%), and county general fund appropriations (9%). Overall, fees and other cost recoveries finance a negligible proportion (2%) of state and local shares of CSE expenditures." Source: *State Financing of Child Support Enforcement Programs: Final Report*, prepared for the Assistant Secretary for Planning and Evaluation and the Office of Child Support Enforcement, Department of Health and Human Services, prepared by Michael E. Fishman, Kristin Dybdal of the Legin Group, Inc. and John Tapogna of ECONorthwest, September 3, 2003, p. iii.

TANF cash payments to the family. Federal law requires families who receive TANF cash assistance to assign their child support rights to the state in order to receive TANF. In addition, such families must cooperate with the state if necessary to establish paternity and secure child support. CSE collections on behalf of families receiving TANF cash benefits are used to reimburse state and federal governments for TANF payments made to the family (i.e., child support payments go to the state instead of the family, except for amounts that states choose to “pass through” to the family as additional income that does not affect TANF eligibility or benefit amounts).

The formula for distributing the child support payments collected by the states on behalf of TANF families between the state and the federal government is still based on the old Aid to Families with Dependent Children (AFDC) federal-state reimbursement rates,<sup>7</sup> even though the AFDC entitlement program was replaced by the TANF block grant program.<sup>8</sup> Under existing law, states have the option of giving some, all, or none of their share of child support payments collected on behalf of TANF families to the family. Pursuant to P.L. 109-171 (effective October 1, 2008), states that choose to pass through some of the collected child support to the TANF family do not have to pay the federal government their shares of such collections if the amount passed through to the family and disregarded by the state does not exceed \$100 per month (\$200 per month for a family with two or more children) in child support collected on behalf of a TANF (or foster care) family. (For additional information, see CRS Report RL34105, *The Financial Impact of Child Support on TANF Families: Simulation for Selected States*, by Carmen Solomon-Fears and Gene Falk.)

Fifth, application fees and costs recovered from nonwelfare families may help finance the CSE program. In the case of nonwelfare families, the custodial parent can hire a private attorney or apply for CSE services on their own. The CSE agency must charge an application fee, not to exceed \$25, for families not on welfare who apply for CSE services. The CSE agency may charge this fee to the applicant or the noncustodial parent, or pay the fee out of state funds. In addition, a state may at its option recover costs in excess of the application fee. Such recovery may be either from the custodial parent or the noncustodial parent. Fees and costs recovered from nonwelfare cases must be subtracted from the state’s total administrative costs before calculating the federal reimbursement amount (i.e., the 66% matching rate).

Moreover, effective October 1, 2006, P.L. 109-171 requires families that have never been on TANF to pay a \$25 annual user fee when child support enforcement efforts on their behalf are successful (i.e., at least \$500 annually is collected on their behalf). The state can collect the user

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<sup>7</sup> Under old AFDC law, the rate at which states were reimbursed by the federal government for the costs of cash welfare was the Federal Medical Assistance Percentage (FMAP), which varies inversely with state per capita income (i.e., poor states have a higher federal matching rate, wealthy states have a lower federal matching rate). The FMAP ranges from a minimum of 50% to a statutory maximum of 83%. Like the old AFDC program, current law requires that child support collections made on behalf of welfare (i.e., TANF) families be split between the federal and state governments according to the FMAP. If a state has a 50% FMAP, the federal government is reimbursed \$50 for each \$100 in child support collections for TANF families; if a state has a 70% FMAP, the federal government is reimbursed \$70 for each \$100 in child support collections for TANF families. In the first example, the state keeps \$50 and in the second example, the state keeps \$30. Thus, states with a larger FMAP keep a smaller portion of the child support collections.

<sup>8</sup> The TANF block grant replaced the AFDC entitlement program pursuant to P.L. 104-193, the 1996 welfare reform law. Because the CSE incentive payments have changed significantly since 1975 (when the CSE program was enacted), this report refers to both AFDC families/cases and TANF families/cases, depending on the time frame.

fee from the custodial parent, the noncustodial parent, or the state can pay the fee out of state funds. This annual user fee is separate from the application fee.

## **Purpose of the Current CSE Incentive Payment System**

From the outset, incentive payments were provided by the federal government to the states to encourage them to operate effective CSE programs. P.L. 105-200, the Child Support Performance and Incentive Act of 1998, was designed to further improve the CSE program by linking incentive payments to states' performance in five major areas. Instead of rewarding states only for their program's cost-effectiveness, the revised incentive payment system was designed to reward states for good performance in five different areas that were closely related to children obtaining child support payments (from their noncustodial parent). The new system was touted as one that would provide real incentives for the states to improve the CSE program, help families attain self-sufficiency, and support important societal goals like paternity identification and parental responsibility.<sup>9</sup>

The current CSE incentive payment system also adds an element of uncertainty to what used to be a somewhat predictable source of income for states. Although in the aggregate, states receive higher incentive payments than under the earlier incentive payment system, the total amount available is fixed, and individual states have to compete with each other for their share of the capped funds. Under the revised incentive system, whether or not a state receives an incentive payment for good performance and the total amount of its incentive payment depends on several factors: the total amount of money available in a given fiscal year from which to make incentive payments, the state's success in obtaining collections on behalf of its caseload,<sup>10</sup> the state's performance in five areas (see text box below), the reliability of a state's data, and the relative success or failure of other states in making collections and meeting the performance criteria.

Moreover, unlike the old incentive system which allowed states and counties to spend incentive payments on whatever they chose, the current incentive system requires that the incentive payment be reinvested by the state into either the CSE program or some other activity which might lead to improving the efficiency or effectiveness of the CSE program (e.g., mediation/conflict-resolution services to parents, parenting classes, efforts to improve the earning capacity of noncustodial parents, etc.). Further, beginning October 1, 2007, federal matching funds are not available to increase the value of incentive payments.

## **Calculation of State CSE Incentive Payments**

The CSE incentive payment structure is very complex. For a fuller explanation of how state incentive payments are calculated, see the example given in the CSE FY2006 data report.<sup>11</sup>

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<sup>9</sup> Department of Health and Human Services. News Release. *HHS Submits Plan to Congress on New Rewards for States to Improve Child Support Collections*. March 13, 1997.

<sup>10</sup> The CSE program serves both welfare and nonwelfare families in its caseload. OCSE defines a CSE "case" as a noncustodial parent (mother, father, or putative/alleged father) who is now or eventually may be obligated under law for the support of a child or children receiving services under the CSE program. If the noncustodial parent owes support for two children by different women, that would be considered two cases; if both children have the same mother, that would be considered one case.

<sup>11</sup> Go to the following website and scroll nearly to the end of the document to the section entitled How an Incentive (continued...)

CSE incentive payments to states are based on several factors including state collections of child support payments and the performance of the states in five areas. The five performance measures are related to (1) establishment of paternity, (2) establishment of child support orders, (3) collection of current child support, (4) collection of child support arrearages (i.e., past-due child support), and (5) cost-effectiveness of the CSE program.

### CSE Performance Measures

*Paternity Establishment.* States have two options:

(1) *CSE Paternity Establishment Percentage (PEP).* State performance on paternity establishment is calculated by dividing the total number of children in the state's CSE caseload during the fiscal year (or at state option at the end of the fiscal year) who were born outside of marriage and for whom paternity has been established by the total number of children in the state's CSE caseload as of the end of the preceding fiscal year who were born outside of marriage;

(2) *Statewide Paternity Establishment Percentage (PEP).* State performance on paternity establishment is calculated by dividing the total number of minor children who were born outside of marriage and for whom paternity has been established during the fiscal year by the total number of children born outside of marriage during the preceding fiscal year.

*Establishment of Child Support Orders.* State performance on support orders is calculated by dividing the number of cases in the CSE caseload for which there is a support order by the total number of cases in the program.

*Current Payments.* State performance on current payments is obtained by dividing the total dollars collected for current support in cases in the CSE caseload by the total amount owed on support in these cases which is not past-due.

*Arrearage Payments.* State performance on arrears (i.e., past-due payments) is obtained by dividing the number of cases in which there was some payment on arrearages during the fiscal year by the total number of cases in which past-due support is owed. (Cases in which the family was formerly on welfare, and in which arrearages are collected by federal income tax intercept, do not count as an arrearage payment case unless the state shares the collection with the family.)

*Cost-Effectiveness.* State performance on cost-effectiveness is determined by dividing the total amount collected through the child support program by the total amount spent by the program to make these collections.

Under the CSE incentive payment system, each of the five performance measures is translated into a mathematical formula (see text box that follows). The amount of incentive payments for a particular performance measure is based on a standard that is specified in law. For each performance standard, there is an upper threshold. All states that achieve performance levels at or above this upper threshold are entitled to the maximum possible incentive for that performance measure. Simultaneously, there is also a minimum level of performance below which states do not receive an incentive, unless the state makes significant improvement over its previous year's performance.

(...continued)

Payment is determined: [http://www.acf.dhhs.gov/programs/cse/pubs/2007/preliminary\\_report/](http://www.acf.dhhs.gov/programs/cse/pubs/2007/preliminary_report/).

To determine a state's incentive payment, the following computations must be made. First, each state's performance percentage for each performance measure is separately determined and translated into the applicable percentage for that particular performance measure. If the performance percentage is at or above the upper threshold, the applicable percentage for that performance measure would be 100%. If the performance percentage is below the lower threshold, the applicable percentage for that performance measure would be 0%.<sup>12</sup> If the performance percentage is in between these two points (the upper and lower thresholds), the applicable percentage is obtained by referring to the tables specified in federal law (Section 458(b)(6) of the Social Security Act) for each of the performance measures. For example, with regard to the establishment of child

<b>Performance Thresholds (and applicable percentage)</b>		
If PEP	≥ 80%, then 100%	if < 50%, then 0%
If order establishment	≥ 80%, then 100%	if < 50%, then 0%
If current support	≥ 80%, then 100%	if < 40%, then 0%
If arrearages	≥ 80%, then 100%	if < 40%, then 0%
If cost-effectiveness	≥ 5.00, then 100%	if < 2.00, then 0%

support orders, if the state's performance percentage for this measure is 70%, meaning that 70% of CSE cases in the state have a child support order, the applicable percentage is 80% (The tables showing all of the applicable percentages for each performance measure are in Section 458(b)(6)(B) of the Social Security Act).

Second, after the applicable percentage for each performance measure is determined, that percentage is multiplied by the "collections" base for an individual state. The collections base is calculated by multiplying child support collections made on behalf of TANF families, Title IV-E foster care families and Medicaid families in the state by a factor of 2 and then adding that amount to the amount of collections made on behalf of families that were never on welfare [2 x (TANF collections + formerly on TANF collections)+ never on TANF collections].<sup>13</sup>

Third, if the performance measure is paternity establishment, child support order establishment, or current collections, then the resulting amount (i.e., the applicable percentage multiplied by the collections base) is multiplied by 100%. If the performance measure is past-due collections (i.e., arrearages) or cost-effectiveness, then the resulting amount is multiplied by 75%. These calculations result in maximum incentives for each performance measure.

<sup>12</sup> At the low end of the performance scale, there is a minimum level below which a state is not rewarded with an incentive payment unless the state demonstrates a substantial improvement over the prior year's performance. Even though substantial improvement is recognized, the law stipulates that the incentive payment in such cases cannot exceed 50% of the maximum incentive possible for that performance measure. The substantial improvement provisions do not apply with respect to the cost-effectiveness performance measure.

<sup>13</sup> It was decided during the negotiations on revising the incentive payment system that, because collecting child support on behalf of TANF and former-TANF families is generally more difficult than collecting child support on behalf of families who had never been on TANF, the incentive formula should provide a greater emphasis on collection in TANF and former TANF cases. Moreover, it was mentioned that collections in TANF cases provide direct savings to the state and federal governments. The incentive payment formula thus doubles the collections made on behalf of TANF and former-TANF cases to give them extra emphasis. (See Office of Child Support Enforcement, Department of Health and Human Services. *Child Support Enforcement Incentive Funding*. Report to the House Ways and Means Committee and the Senate Finance Committee. February 1997. p. 8.)

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Fourth, the maximum incentives are added together. The dollar amount that is obtained by adding together the five maximum incentives for each performance measure is called the maximum incentive base amount.

Fifth, all of the states' (includes the four jurisdictions: the District of Columbia, Guam, Puerto Rico, and the Virgin Islands) maximum incentive base amounts are then added together for a total maximum incentive base amount.

Sixth, each state's individual maximum base amount is compared to the total maximum incentive base amount. The mathematical formula would be—maximum state incentive base/sum of all state incentive bases. An individual state's share of the total is the percentage that is used to determine the state's actual incentive payment. For example, if a state's share of the total is 17%, then the state will receive 17% of the capped incentive payment for the fiscal year in question. In FY2007 for example, the state's incentive payment would be \$80,070,000 (.17\* \$471 million).

The federal government makes incentive payments to states on an on-going quarterly prospective basis using state *estimates* of what their incentive payments will total. After the audited performance data (discussed below) are available, OCSE reconciles the incentive payment actually earned with the amount previously estimated, and received, by the state.<sup>14</sup>

## **Data Reliability**

Before enactment of P.L. 105-200, incentive payments (under the old system) were not dependent on data reliability. Although audits were performed at least once every three years to ensure compliance with federal CSE program requirements, the audits were focused on administrative procedures and processes rather than performance outcomes and results.

Under current federal law, states are accountable for providing reliable data on a timely basis or they receive no incentive payments. The data reliability provisions were enacted as part of P.L. 105-200, which established the current incentive payment system. They are in the law to ensure the integrity of the incentive payment system. The federal Office of Child Support Enforcement (OCSE) Office of Audit performs data reliability audits to evaluate the completeness, accuracy, security, and reliability of data reported and produced by state reporting systems. The audits help ensure that incentives under the Child Support Performance and Incentives Act of 1998 (P.L. 105-200) are earned and paid only on the basis of verifiable data and that the incentive payments system is fair and equitable. If an audit determines that a state's data are not complete and reliable for a given performance measure, the state receives zero payments for that measure.<sup>15</sup>

If states do not meet the data quality standards, they do not receive incentive payments and are subject to federal financial penalties. Although estimated incentive payments are sent to states on a prospective quarterly basis, those estimated incentive payments are reconciled to the actual

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<sup>14</sup> *Study of the Implementation of the Performance-Based Incentive System—Interim Report*, by the Lewin Group (Karen Gardiner, Michael Fishman, and Asaph Glosser) and ECONorthwest (John Tapogna). Prepared for the Office of Child Support Enforcement. October 2003. p. 19.

<sup>15</sup> FY2004 was the fifth year that OCSE calculated and paid incentives to states for meeting performance standards in five performance measure areas. According to OCSE, 50 states and jurisdictions passed the audits for FY2004. Source: U.S. Department of Health and Human Services. Administration for Children and Families. Office of Child Support Enforcement. *Office of Child Support Enforcement FY 2004 Annual Report to Congress*. April 2007. [http://www.acf.dhhs.gov/programs/cse/pubs/2007/reports/annual\\_report/#26](http://www.acf.dhhs.gov/programs/cse/pubs/2007/reports/annual_report/#26)

incentive payment earned after the auditing process. Thus, if a state fails the audit on a particular performance measure, the state would not receive an incentive payment for that measure (i.e., the state's funding would be reduced to reflect the audit's findings).<sup>16</sup>

The audit for the fiscal year generally begins at the beginning of a calendar year (after the fiscal year has ended) and is completed by early summer.<sup>17</sup> States provide the assigned regional OCSE office with a universe of cases and audit trails. From this universe, a sample is selected. The auditor selects at least 150 cases from the state's universe. State are required to provide auditors with documentation, through access to state computerized/automated systems and hard copies of documents for each of the sample cases. The auditor reviews the sample cases to determine if the items he or she is trying to verify are correct. For example, if the documentation indicates that \$450 in current support was paid during the fiscal year, the auditor looks up the collection history for that particular case on the state's automated system to determine if the \$450 figure is correct. Federal regulations (Title 45 CFR Section 305.1(i)) require data to meet a 95% standard of reliability.<sup>18</sup> Once the audit is completed, the general practice is for an auditor from a different field office to review the findings. Moreover, the OCSE headquarters staff that work on audits also review audit findings. Informational sessions and opportunities to contest the findings are available during the audit process.<sup>19</sup>

## Federal Financial Penalties

The CSE performance-based penalty system provides that a financial penalty be assessed when data submitted for calculating state performance is found to be incomplete or unreliable. Penalties may also be assessed when the calculated level of performance for any of three performance measures—paternity establishment, support order establishment, or current collections—fails to achieve a specified level or when states are not in compliance with certain child support requirements.

There is an automatic corrective action year if performance measures and data reliability are not achieved. The corrective action year is the immediately succeeding fiscal year following the year of the deficiency. If the state's data are determined complete and reliable and the related performance is adequate for the corrective action year, the penalty is not imposed.

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<sup>16</sup> According to the federal regulations (45 CFR Part 304.12): Each state calculates the federal government's share of child support payments collected on behalf of TANF families. Then the state retains one-fourth of its annual estimate of incentive payments from the federal government's share of child support collected on behalf of TANF families each quarter. Following the end of a fiscal year, the OCSE will calculate the actual incentive payment the state should have received based on the reports submitted for that fiscal year. If adjustments to the estimate are necessary, the state's quarterly TANF grant award will be reduced or increased because of over- or under-estimates for prior quarters and for other adjustments.

<sup>17</sup> Thereby, the audit of FY2007 (October 1, 2006-September 30, 2007) incentive payment data would usually begin in January 2008 and generally would be completed by July 2008. Once the audit is completed, estimated incentive payments would be reconciled with actual incentive payments.

<sup>18</sup> Title 45 CFR Section 305.1(i) states that "... data may contain errors as long as they are not of a magnitude that would cause a reasonable person, aware of the errors, to doubt a finding or conclusion based on the data."

<sup>19</sup> *Study of the Implementation of the Performance-Based Incentive System—Interim Report*, by the Lewin Group (Karen Gardiner, Michael Fishman, and Asaph Glosser) and ECONorthwest (John Tapogna). Prepared for the Office of Child Support Enforcement. October 2003. p. 14.

If the corrective action was unsuccessful, the financial penalty is a reduction in the state's TANF block grant. Historically, Congress has linked the CSE program and the TANF (and old AFDC) program. Currently Section 402(a)(2) of the Social Security Act (Title IV-A which deals with TANF (and used to pertain to the AFDC program)) stipulates that the governor of a state must certify that it will operate an approved CSE program as a condition of receiving TANF block grant funding. Since the enactment of the CSE program in 1975, there has always been a provision in federal law that linked poor performance (and penalties) or noncompliance in the CSE program with a reduction in Title IV-A funding.

Under the performance-based audit procedures (Section 409(a)(8) of the Social Security Act), a graduated penalty equal to 1%-5% of the federal TANF block grant is assessed against a state if (1) on the basis of the data submitted by the state for a review, the state CSE program fails to achieve the paternity establishment or other performance standards set by the HHS Secretary;<sup>20</sup> (2) an audit finds that the state data are incomplete or unreliable; or (3) the state failed to substantially comply with one or more CSE state plan requirements, and the state fails to correct the deficiencies in the fiscal year following the performance year (i.e., the corrective action plan year).

The penalty amount is calculated as not less than 1% nor more than 2% of the TANF block grant program for the first year of the deficiency. The penalty amount increases each year, up to 5%,<sup>21</sup> for each consecutive year the state's data are found to be incomplete, unreliable, or the state's performance on a penalty measure fails to attain the specified level of performance.

According to the CSE annual data report for FY2004: "In 2004, nine States received a penalty after the FY2003 corrective action year for the FY2002 performance period. Six States filed appeals to the Department Appeals Board."<sup>22</sup>

## State Trends

A state's share of incentive payments depends on many factors that are distinct to its population and CSE caseload. CSE collection can be straightforward. In most CSE cases paternity has already been established and in a majority of cases the child support order was established at the time of the divorce or separation. Further, many noncustodial parents are up-to-date in their child support payments and do not owe any past-due (arrearage) payments. However, in other cases meeting CSE performance measures can be more difficult. Although not exactly sequential, the CSE performance measures are very interdependent. A child support order cannot be established if paternity has not been legally determined. Child support payments cannot be collected or enforced unless a child support order has been established. Arrearage payments cannot be

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<sup>20</sup> There are three performance measures for which states have to achieve certain levels of performance in order to avoid being penalized for poor performance. These measures are (1) paternity establishment [specifically mentioned in the federal law—Section 409(a)(8)(A) of the Social Security Act], (2) child support order establishment, and (3) current child support collections [these last two performance measures were designated by the HHS Secretary—45 CFR Section 305.40].

<sup>21</sup> The penalty amount is calculated as not less than 2% nor more than 3% of the TANF block grant program for the second year of the deficiency. The penalty amount is calculated as not less than 3% nor more than 5% of the TANF block grant program for the third or subsequent year of the deficiency.

<sup>22</sup> Office of Child Support Enforcement, Department of Health and Human Services. *Office of Child Support Enforcement FY2004 Annual Report to Congress*. April 2007.

collected if current child support is not paid. States that have more cases that require services such as paternity establishment, child support order establishment, and payment of arrearages generally have a tougher time collecting child support than states that do not face such challenges.

In FY2005, the aggregate incentive payment amount was \$446 million. Among the 50 states and the 4 jurisdictions of the District of Columbia, Guam, Puerto Rico, and the Virgin Islands, CSE incentive payments in FY2005 ranged from a high of \$41.7 million in California to a low of \$108,972 in the Virgin Islands.<sup>23</sup>

As mentioned earlier, incentive payments are a function of a state's collections base, which is largely dependent on population size. Thus, the aggregate amount of incentive dollars received by individual states are a poor indicator of a state's performance with respect to individual performance measures. As discussed in more detail later, incentive payments are not directly correlated with performance. In other words, even though a state may receive a high incentive payment, the state's performance on one or several individual performance measures may be very poor. This results because child support collections are the critical determinant of incentive payments to states. In fact, the top ten states with regard to collecting child support (in FY2002-FY2005) were the top ten states with regard to high incentive payments.<sup>24</sup>

## **Performance Incentive Scores**

The data presented in this report are based on the unaudited incentive payment performance scores. These data are readily available each year when OCSE publishes its preliminary data report. Over the years, states have made significant improvement in the area of data reliability. According to the final report on FY2004 data, only four jurisdictions failed data reliability audits.

A comparison of FY2002 performance score data to FY2006 performance score data<sup>25</sup> shows that CSE program performance has improved with respect to all five performance measures. The following scores represent the total score for all 54 jurisdictions for each of the performance measures (referred to in this analysis as national averages). The national average for the paternity establishment score went from 73% (CSE program measure rather than statewide measure) in FY2002 to 90% in FY2006; the score for child support order establishment increased from 70% to 77%; the score for current child support collections increased from 58% to 60%; the score for child support arrearage cases increased from 60% to 61%; and the cost-effectiveness score increased from 4.13 to 4.58.

If state trends are examined in terms of the median score of the five performance measures rather than the average score, the time-trend is similar to the trend in the national averages, but the performance of the median state, over the five-year period, tends to be slightly higher than that of the average state with respect to paternity establishment, child support order establishment, and cost-effectiveness. With regard to the other two performance measures (i.e., current collections

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<sup>23</sup> The OCSE has not yet published actual incentive payment data by state for FY2006.

<sup>24</sup> During the four-year period FY2002-FY2005, the states with the highest incentive payments were California, Texas, Pennsylvania, New York, Michigan, Florida, New Jersey, and Wisconsin. These states also are the most populous states.

<sup>25</sup> The table for the FY2002 data can be found at [http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/prelim\\_datareport/](http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/prelim_datareport/). The table for the FY2006 data can be found at [http://www.acf.dhhs.gov/programs/cse/pubs/2007/preliminary\\_report/](http://www.acf.dhhs.gov/programs/cse/pubs/2007/preliminary_report/).

and arrearages), the median score is the same or almost the same as the average score.<sup>26</sup> The median score for paternity establishment went from 87% in FY2002 to 94% in FY2006; the score for child support order establishment increased from 71% to 79%; the score for current child support collections increased from 57% to 59%; the score for child support arrearage cases did not change from 61%; and the cost-effectiveness score increased from 4.49 to 4.70.

The following analysis examines the individual CSE performance measures for the five-year period FY2002-FY2006. It focuses on the median,<sup>27</sup> maximum, and minimum scores for all five performance measures.

### **Paternity Establishment Percentage (PEP)**

One of the goals of the CSE program has always been to establish paternity for those needing that service. In fact the official title of the program when it was enacted in 1975 and to this day is Child Support and Establishment of Paternity. The CSE program's strategic plan for FY2005-FY2009 reiterates this by indicating that goal #1 of the program is that all children have an established parentage and the program tries to achieve this goal by increasing the percentage of children with a legal relationship with their parents.

As mentioned earlier in the CSE performance measures text box, states have two options for determining the Paternity Establishment Percentage (PEP). They can use a PEP that is based on data that pertains solely to the CSE program or they can use a PEP that is based on data that pertains to the state population as a whole. In effect, the PEP compares paternities established during the fiscal year with the number of nonmarital births during the preceding fiscal year.

During the period FY2002-FY2006, the median PEP score among the 54 jurisdictions<sup>28</sup> with CSE programs ranged from 86.64 in FY2002 to 94.11 in FY2006 (with a slight dip in FY2004). The maximum PEP score was 130.75 in FY2002, it rose to 190.70 in FY2003 and dropped to 122.12 in FY2006. A PEP of 100% or more generally means that the state has established paternity for more than just the newborns who were born outside of marriage in the specified year (i.e., the state has established paternity for many older children as well).<sup>29</sup> The minimum PEP score fluctuated during the period FY2002 through FY2006. It started at 50.83 and ended at 59.44.

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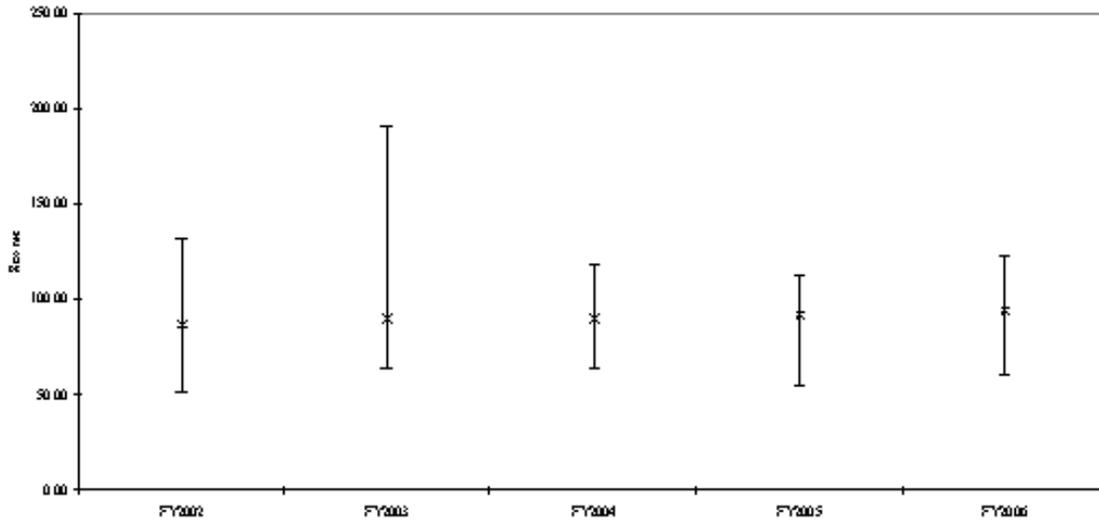
<sup>26</sup> The median reflects the performance of the middle-ranked state, with all states weighted equally.

<sup>27</sup> The median score sometimes better illustrates trends because unlike the mean (i.e., average) it is not affected by very high or very low scores.

<sup>28</sup> According to preliminary FY2002 data, Guam had the maximum PEP score of 452.87, but that score for Guam was excluded because of conflicting data.

<sup>29</sup> As mentioned earlier in the text box, a state may use as its PEP either the CSE PEP or the statewide PEP. The state CSE PEP is based on the entire number of children in the CSE caseload who had been born outside of marriage, regardless of year of birth, and whether paternity had been established for them. If the CSE PEP is more than 100%, then the number of children on the CSE rolls who were born outside of marriage but had paternity established on their behalf exceeded the number of children on the CSE rolls who were born outside of marriage in any previous year. Whereas, if the statewide PEP is more than 100%, then the number of paternities established in the current fiscal year exceeded the number of babies born outside of marriage in the preceding fiscal year.

**Figure I. Paternity Establishment Scores: Maximum, Median, Minimum**



	FY2002	FY2003	FY2004	FY2005	FY2006
Median	86.64	90.15	89.85	91.47	94.11
Maximum	130.75	190.70	117.76	112.42	122.12
Minimum	50.83	63.90	63.21	54.05	59.44

**Source:** Chart prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

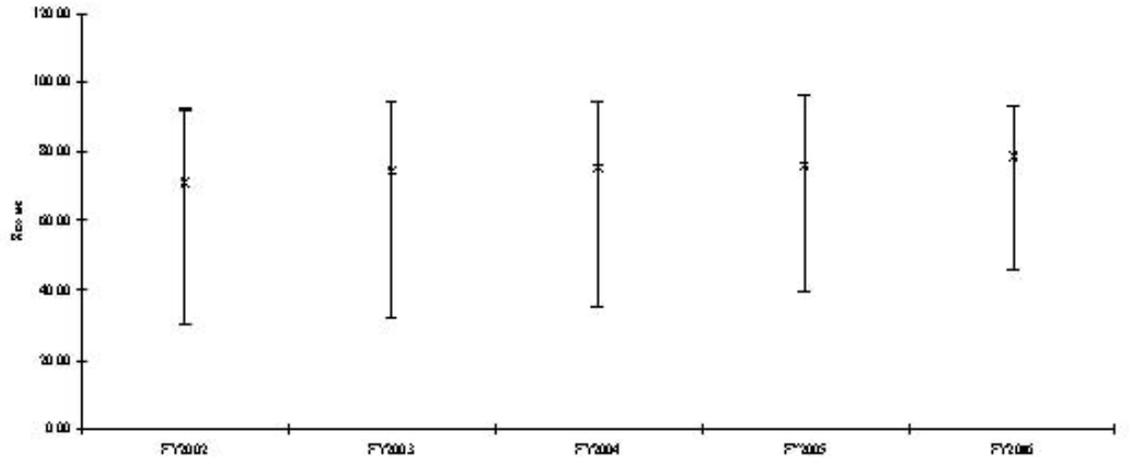
**Note:** The x on the line graphs highlights the median score. In FY2002, on the basis of preliminary data, Guam had the maximum score (452.87). However, because of other conflicting data for Guam, that outlier PEP for Guam was excluded from this analysis. The next highest PEP score in FY2002 was 130.75 (Idaho).

### Child Support Order Establishment Percentage

Goal #2 in the FY2005-FY2009 Strategic Plan of the Child Support Enforcement Program is for all children in the CSE caseload to have child support orders. The second performance measure focuses on the percentage of CSE cases that have a child support order (i.e., a legally-binding document that requires the noncustodial parent to pay child support).

During the period FY2002-FY2006, the median child support order establishment score among the 54 jurisdictions with CSE programs rose each year, starting at 71.28 in FY2002 and ending at 78.96 in FY2006. The maximum score for this performance measure fluctuated; it started at 92.03, reached a high of 96.00 in FY2005 and declined back to 92.98 in FY2006. The minimum score for child support order establishment rose significantly during the five-year period, starting at 29.66 in FY2002 and ending at 45.43 in FY2006.

**Figure 2. Child Support Order Establishment Scores: Maximum, Median, Minimum**



	FY2002	FY2003	FY2004	FY2005	FY2006
Median	71.28	74.50	75.41	76.08	78.96
Maximum	92.03	94.10	93.73	96.00	92.98
Minimum	29.66	31.90	34.92	39.60	45.43

**Source:** Chart prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The x on the line graphs highlights the median score.

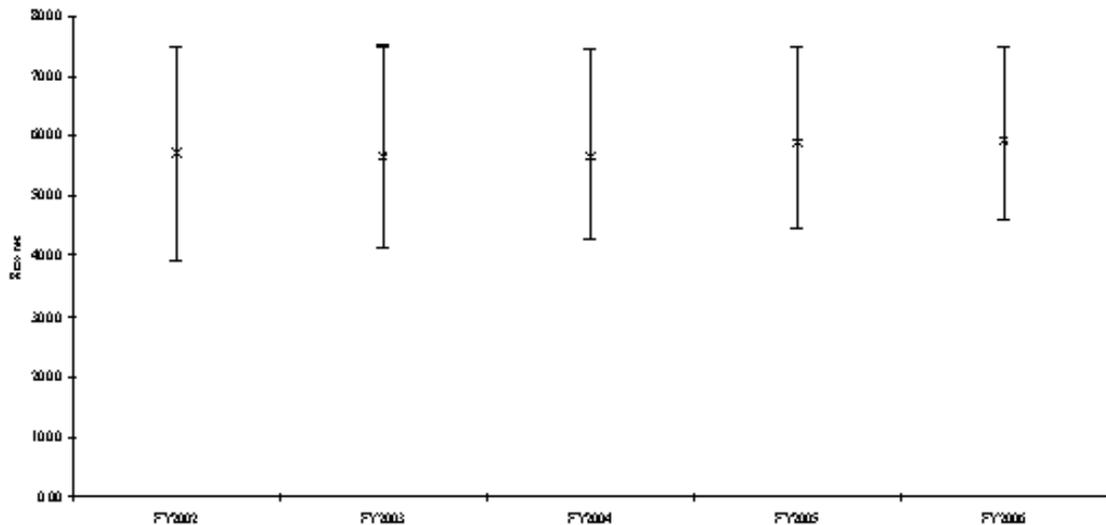
### Current Child Support Collections Scores

Goal #4<sup>30</sup> in the FY2005-FY2009 Strategic Plan of the Child Support Enforcement Program is for all children in the CSE caseload to receive the financial support owed by their noncustodial parents. This goal encompasses both current child support payments and past-due child support payments (i.e., arrearages). The third performance indicator measures the proportion of current child support owed that is collected on behalf of children in the CSE caseload.

During the period FY2002-FY2006, the median child support current collections score among the 54 jurisdictions with CSE programs was 57.10 in FY2002, dropped to 56.65 in FY2003, remained relatively unchanged in FY2004, and increased for the next two years to a score of 59.16 in FY2006. The maximum score was relatively stable, ranging from 74.37 to 74.80. The minimum score increased every year over the five-year period, from 39.11 in FY2002 to 45.92 in FY2006.

<sup>30</sup> Goal #3 in the FY2005-FY2009 Strategic Plan of the CSE Program is for all children in the CSE program to have medical coverage.

**Figure 3. Child Support Current Collections Scores: Maximum, Median, Minimum**



	FY2002	FY2003	FY2004	FY2005	FY2006
Median	57.10	56.65	56.66	58.89	59.16
Maximum	74.70	74.80	74.37	74.72	74.65
Minimum	39.11	40.90	42.68	44.36	45.92

**Source:** Chart prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The x on the line graphs highlights the median score.

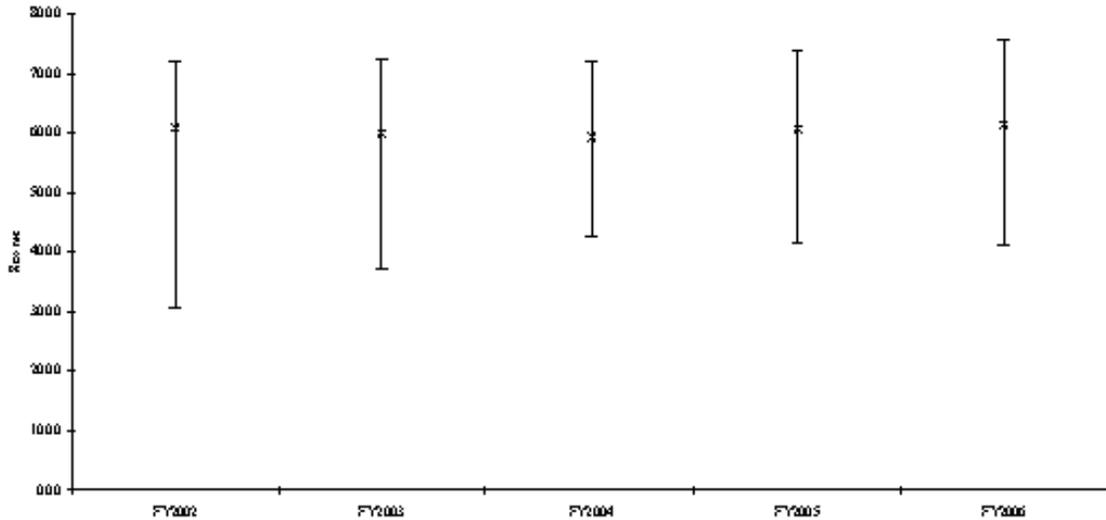
### Child Support Arrearage Cases Scores

The fourth performance indicator measures state efforts to collect money from CSE cases with an arrearage (i.e., past-due child support payments are owed). This performance measure specifically counts paying cases—and not total arrearage dollars collected—because states have different methods of handling certain aspects of arrearage cases. For example, the ability to write off debt that is deemed uncollectible varies by state. Moreover, some states charge interest on arrearages (which is considered additional arrearages) while other states do not.<sup>31</sup> As mentioned above, this performance measure is incorporated in goal #4 as listed in the FY2005-FY2009 CSE Strategic Plan.

During the period FY2002-FY2006, the median child support arrearage cases score among the 54 jurisdictions with CSE programs fluctuated slightly during the period. It was 60.71 in FY2002 and was 61.34 in FY2006. The maximum score increased from 71.58 in FY2002 to 75.21 in FY2006 (with a drop between FY2003 and FY2004). The minimum score rose from 30.21 in FY2002 to 42.33 in FY2004 and then declined to 41.01 in FY2006.

<sup>31</sup> *Study of the Implementation of the Performance-Based Incentive System—Interim Report*, by the Lewin Group (Karen Gardiner, Michael Fishman, and Asaph Glosser) and ECONorthwest (John Tapogna). Prepared for the Office of Child Support Enforcement. October 2003. p. 7.

**Figure 4. Child Support Arrearage Cases Scores: Maximum, Median, Minimum**



	<b>FY2002</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2005</b>	<b>FY2006</b>
Median	60.71	59.80	59.15	60.59	61.34
Maximum	71.58	72.20	71.83	73.50	75.21
Minimum	30.21	37.00	42.33	41.36	41.01

**Source:** Chart prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

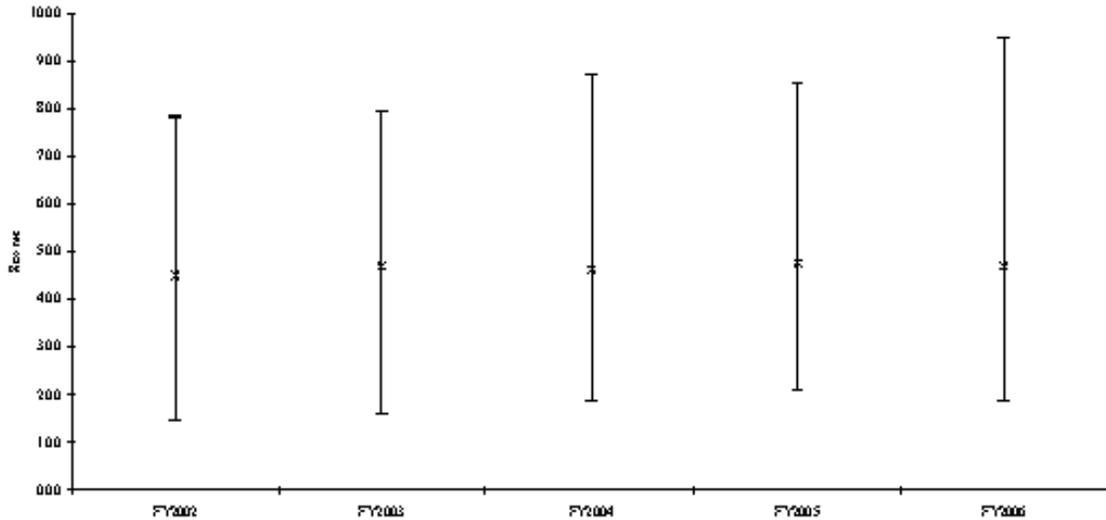
**Note:** The x on the line graphs highlights the median score.

### Cost-Effectiveness Scores

Goal #5 in the FY2005-FY2009 Strategic Plan of the Child Support Enforcement Program says that the CSE program will be efficient and responsive in its operations. The fifth performance measure assesses the total dollars collected by the CSE program for each dollar spent

During the period FY2002-FY2006, the median cost-effectiveness score among the 54 jurisdictions with CSE programs was 4.49 in FY2002, it rose and fell throughout the period, and ended at 4.70 in FY2006. The maximum score went from 7.80 to 9.45 over the five-year period (with a drop between FY2004 and FY2005). The minimum score was 1.46 in FY2002 reached 2.10 in FY2005 and dropped to 1.84 in FY2006.

**Figure 5. Cost-Effectiveness Scores: Maximum, Median, Minimum**



	FY2002	FY2003	FY2004	FY2005	FY2006
Median	4.49	4.68	4.62	4.77	4.70
Maximum	7.80	7.91	8.70	8.53	9.45
Minimum	1.46	1.57	1.83	2.10	1.84

**Source:** Chart prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The x on the line graphs highlights the median score.

## Incentive Payments for All Performance Measures

Although CSE incentive payments were awarded to all 54 jurisdictions (including the 50 states, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands) during the FY2002-FY2006 period, some jurisdictions performed poorly on certain performance measures and thereby did not receive an incentive for that measure. (See the earlier text box on performance thresholds for the percentage scores on each performance measure that do not warrant an incentive payment.) Even so, the 54 jurisdictions (in aggregate) improved their performance over the five-year period. In FY2002, 46 jurisdictions received an incentive for all five performance measures compared to 53 jurisdictions in FY2005 and 52 jurisdictions in FY2006.

On the basis of the unaudited FY2002 performance incentive scores of the 54 jurisdictions, 46 jurisdictions received an incentive for all five performance measures, 3 jurisdictions received an incentive for four performance measures (California, Hawaii, and Mississippi), and 5 jurisdictions (Illinois, New Mexico, the District of Columbia, Guam, and the Virgin Islands) received an incentive for three performance measures. (See **Appendix, Table B-2.**)

On the basis of the unaudited FY2003 performance incentive scores of the 54 jurisdictions, 48 jurisdictions received an incentive for all five performance measures, 5 jurisdictions received an incentive for four performance measures (Illinois, Mississippi, New Mexico, Guam, and the Virgin Islands), and the remaining jurisdiction (the District of Columbia) received an incentive for three performance measures. (See **Appendix, Table B-3.**)

On the basis of the unaudited FY2004 performance incentive scores of the 54 jurisdictions, 51 jurisdictions received an incentive for all five performance measures, and 3 jurisdictions received an incentive for four performance measures (New Mexico, the District of Columbia, and the Virgin Islands). (See **Appendix, Table B-4.**)

On the basis of the unaudited FY2005 performance incentive scores of the 54 jurisdictions, 53 jurisdictions received an incentive for all five performance measures and the remaining jurisdiction (the District of Columbia) received an incentive for four performance measures. (See **Appendix, Table B-5.**)

**Table B-6** indicates that on the basis of the unaudited FY2006 performance incentive scores of the 54 jurisdictions, 52 jurisdictions received an incentive for all five performance measures and the remaining 2 jurisdictions (the District of Columbia and Guam) received an incentive for four performance measures.

## **Relationship Between Incentive Payments and Performance Measures**

Given that the incentive payment is based on five performance measures, it is likely that all jurisdictions would continue to receive some amount of incentive payments. However, if individual performance measures are examined, a different picture develops; some states may not perform well enough to receive an incentive payment with respect to one of the five performance measures. **Table B-2, Table B-3, Table B-4, and Table B-5** show actual incentive payments by state (includes jurisdictions) for each of the four years FY2002-FY2005, respectively, along with the five performance measures.<sup>32</sup> The states in each of the tables are ranked from highest performing state (relative to each indicator) to lowest performing state. These tables illustrate that the relationship between actual performance and CSE incentive payments is not always transparent. That is, even though a state may receive a high incentive payment, the state's performance on one or several individual performance measures may be very poor.

Child support collections are a very important component in determining the amount of a state's incentive payment. As mentioned earlier, incentive payments are a function of a state's collections base, which is composed of child support collected on behalf of current and former TANF families multiplied by two plus the collection amount made on behalf of families who have never been on TANF.<sup>33</sup> The main reason that there is not a more direct relationship between incentive payments and performance levels is that the incentive payment calculation is so heavily dependent on child support collections.

Thus, a high collections base can mean that a state receives a high incentive payment despite low performance measures. For example, although California received the highest incentive payment in each of the years FY2002-FY2005, it ranked very low with regard to cost-effectiveness (51<sup>st</sup> in FY2002, 50<sup>th</sup> in FY2003, 52<sup>nd</sup> in FY2004, and 51<sup>st</sup> in FY2005); current collections (53<sup>rd</sup> in FY2002, 51<sup>st</sup> in FY2003, 52<sup>nd</sup> in FY2004, and 50<sup>th</sup> in FY2005); and arrearage cases (40<sup>th</sup> in FY2002, 41<sup>st</sup> in FY2003, 43<sup>rd</sup> in FY2004, and 37<sup>th</sup> in FY2005). However, because California collected at least 31% more child support payments than the next ranking state (and at least 64%

<sup>32</sup> OCSE has not yet published data showing the incentive payments received by states in FY2006.

<sup>33</sup> State's Collections Base = 2 x (TANF collections + Formerly on TANF collections) + Never on TANF collections.

of those collections were on behalf of TANF or former-TANF families), it is not surprising that California received the highest amount of incentive payments in each of the years FY2002-FY2005.<sup>34</sup> According to OCSE annual data reports, the top ten states with regard to collecting child support (in FY2002-FY2005) were the top ten states with regard to high incentive payments (although not in the same rank order).

## Policy Issues

The current performance-based incentive payments system is part of the CSE program's strategic plan to set goals and measure results. Despite a general consensus that the CSE program is doing well, questions still arise about whether the program is effectively meeting its mission and concerns exist over whether the program will be able to meet future expectations in light of recent reductions in federal funding that were made pursuant to the Deficit Reduction Act of 2005 (P.L. 109-171).

Some in the CSE "community" (e.g., states, CSE workers, analysts, state policymakers, and advocates) contend that several factors may cause a state not to receive an incentive payment that is commensurate with its relative performance on individual measures. These factors include static or declining CSE collections; sliding scale performance scores that financially benefit states at the upper end (but not the top) of the artificial threshold and financially disadvantage states at the lower end of the artificial threshold; a limited number of performance indicators that do not encompass all of the components critical to a successful CSE program; and a statutory maximum on the aggregate amount of incentive payments that can be paid to states—which causes states to have to compete with each other for their share of the capped funds.

Others point out that the current CSE incentive payment system was developed with much thought and input from the CSE community. They maintain that the incentive payment formula rewards states for their performance in five critical areas, consistent with the legislated mission of the CSE program as well as the program's strategic plan and related outcome measures. They say that the performance thresholds were designed to provide tough but reachable targets for performance by rewarding states with higher incentives as they improve. In addition, it is argued that the annual cap on incentive payments (imposed by P.L. 105-200) has encouraged competition among the states and that there is no evidence that the cap has stifled the motivation of states to improve performance.

Many in the CSE community argue that any reduction in the federal government's financial commitment to the CSE system could negatively affect states' ability to serve families. They contend that a cost shift to the states (during this time when many interests are competing for limited state dollars) could jeopardize the effectiveness of the CSE program and thereby could

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<sup>34</sup> California collected 31% more in child support payments than Texas in FY2002. In FY2003, California collected 41% more in child support payments than Texas. In FY2004, California collected 45% more in child support payments than Texas and in FY2005, California collected 25% more in child support payments than Texas. California was the highest ranked state with respect to CSE incentive payments in FY2002-FY2005, Texas was the next ranked state. Given that the incentive formula gives more weight to child support collections made on behalf of TANF and former-TANF families than on families that have never been on TANF, it is important to note that the majority of the child support collected in California for the four years illustrated was on behalf of TANF and former-TANF families. Specifically, in FY2002-FY2005, 75%, 64%, 71%, and 65% (respectively) of CSE collections in California were made on behalf of TANF and former-TANF families.

have a negative impact on the children and families the CSE program is designed to serve. Although most analysts agree that a reduction in CSE funding could result in a less effective CSE program, several CSE directors who were surveyed in the Lewin Group study said that they expected their states to replace all or most of federal funding shortfalls in the CSE program. However, some of the directors moderated their statements by saying that the prospect of the state replacing eliminated federal dollars with state dollars in years beyond FY2008 is uncertain.<sup>35</sup>

This section discusses the following list of issues: (1) “Does the CSE Incentive Payment System Reward Good Performance?” (2) “Should Incentive Payments Be Based on Additional Performance Indicators?” (3) “Should TANF Funds Be Reduced Because of Poor CSE Performance?” (4) “Why Aren’t the Incentives and Penalties Consistent for the Paternity Establishment Performance Measure?” (5) “Should Incentive Payments Be Based on Individual State Performance Rather Than Aggregate State Performance?” and (6) “Will the Elimination of the Federal Match of Incentive Payments Adversely Affect CSE Programs?”

## **Does the CSE Incentive Payment System Reward Good Performance?**

According to OCSE, all states received a CSE incentive payment in FY2006. This means that all states attained a certain level of program performance. According to OCSE, for all five performance measures, all states<sup>36</sup> achieved applicable percentage scores that earned them incentives. Moreover, a comparison of FY2002 data to FY2006 data shows that CSE program performance has improved for all five performance measures. The national average for the paternity establishment score increased from 73% (CSE measure rather than statewide measure) in FY2002 to 90% in FY2006; the score for child support order establishment increased from 70% to 77%; the score for current child support collections increased from 58% to 60%; the score for child support arrearage cases increased from 60% to 61%; and the cost-effectiveness score increased from 4.13 to 4.58.

Nonetheless, many contend that the CSE incentive payment systems is too heavily based on child support collections and that artificial thresholds adversely affect performance levels in that they unfairly allow states that are performing at significantly higher levels than other states to be given the same score (at the high end of the performance scale and at the low end of the performance scale).

## **CSE Collections**

Ultimately the amount of a state’s incentive payment depends on how much the state collects in child support payments. If a state has a small amount of child CSE collections, then even if it has high performance percentages for all five measures, its CSE incentive payment would be small.

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<sup>35</sup> The Lewin Group. *Anticipated Effects of the Deficit Reduction Act Provisions on Child Support Program Financing and Performance Summary of Data Analysis and IV-D Director Calls*. Prepared for the National Council of Child Support Directors by the Lewin Group and ECONorthwest. July 20, 2007. p. 4; [http://www.nccsd.net/documents/nccsd\\_final\\_report\\_revised\\_2\\_437782.pdf](http://www.nccsd.net/documents/nccsd_final_report_revised_2_437782.pdf).

<sup>36</sup> Two jurisdictions, the District of Columbia and Guam, received incentive payments in four rather than five performance areas. The District of Columbia failed to meet the performance threshold for child support order establishment and Guam failed to meet the cost-effectiveness threshold.

Total child support collections for a state may vary for a number of reasons. Some factors that may influence the amount of child support a state collects include the population of the state, the number of single parents in the state, the number of children in the state, the number of unmarried parents in the state, the number of successful paternity determinations, the number of successful child support order establishments, the size of the TANF caseload, the size of the former-TANF caseload, the number of interstate cases, the effectiveness of the state's CSE program, state per capita income, state child poverty rate, and unemployment rate.

### **Artificial Thresholds Related to Performance Levels**

All of the performance measures have a sliding scale so that increased performance earns a higher level of the incentive payment. However, they also all have upper and lower thresholds.<sup>37</sup> This means that above a certain percentage, all percentages are translated into the maximum applicable percentage. By the same policy, all performance percentages that are below a certain threshold percentage are translated into zero (i.e., the state would not be eligible for an incentive payment), unless the program improves sufficiently and quickly.

For performance measures pertaining to the establishment of paternity or the establishment of child support orders, if a state establishes paternity for at least 80% of its caseload or establishes a child support order for at least 80% of its caseload, the state receives a percentage score of 100%. In FY2006, this meant that Louisiana, a state that established paternity for 81.07% of the children in the state without legally identified fathers, and Oklahoma, a state that established paternity for 122.12%<sup>38</sup> of the children in the state without legally identified fathers, both received a paternity establishment percentage score of 100%. Thus, states separated by more than 40 percentage points received the same performance ranking—thereby not fully rewarding the performance of the more successful state. With regard to the establishment of child support orders, in FY2006, South Dakota, a state with an order establishment percentage of 92.98%, received the maximum possible percentage score of 100% as did California, a state with a child support order establishment percentage of 80.57%.

By the same reasoning, the lower threshold of 50% treats states establishing zero paternities and zero child support orders the same as states establishing paternities or child support orders for 49% of their caseload. (In FY2006, only one jurisdiction (the District of Columbia—order establishment [45.43%]) had an applicable percentage score below 50% for either paternity establishment or child support order establishment.) (See **Appendix, Table B-6.**)

The upper threshold for the current collections performance measure also is 80% but the lower threshold is 40%. The performance measure for current child support collections is based on the

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<sup>37</sup> P.L. 104-193 (enacted August 22, 1996), the 1996 welfare reform law directed the HHS Secretary to develop a new revenue-neutral performance-based incentive payment system in consultation with state CSE directors. The federal Office of Child Support Enforcement (OCSE) convened an Incentive Funding Work Group in late 1996 to develop a new incentive payment system. The work group consisted of 26 persons representing state and local CSE programs, HHS regional offices, and the OCSE central office. The work group determined the minimum and maximum standards (i.e., thresholds) for each performance measure based on historic performance by the states and state trends. In general, the upper threshold was based on the view that most states could realistically achieve that level of performance.

<sup>38</sup> States are able to establish paternities for more than 100% of children needing paternity established because the paternity establishment performance measure compares current year data to previous year's data and includes paternity established on behalf of newborns born outside of marriage as well as older children who were born outside of marriage.

amount of collections (i.e., a dollar measure). In FY2006, the thresholds were not an issue because the highest percentage attained on the current collections performance measure was 74.65% (Pennsylvania) and the lowest percentage attained was 45.92% (Nevada). (See **Appendix, Table B-6.**)

Likewise, the upper threshold for the arrearage (i.e., past-due) collections performance measure is 80% and the lower threshold is 40%.<sup>39</sup> The performance measure for arrearage child support collections assesses the state's efforts to collect money from noncustodial parents for past-due support (i.e., a case ["person"] measure). In FY2006, the thresholds were not an issue because the highest percentage attained on the arrearage collections performance measure was 75.21% (Pennsylvania) and the lowest percentage attained was 41.01% (Hawaii). (See **Appendix, Table B-6.**)

The upper threshold for the cost-effectiveness performance measure is 5.0 and the lower threshold is 2.0. In FY2006, Mississippi had a cost-effectiveness score of 9.45 and West Virginia had a score of 5.00. Even though there was a 4.45 percentage point difference between the two states, the applicable incentive percentage for those two states and the other 22 states with scores of at least 5.0 was 100%. In FY2006, only one jurisdiction (Guam—1.84) was below the lower threshold of 2.0. (See **Appendix, Table B-6.**)

## **Should Incentive Payments Be Based on Additional Performance Indicators?**

The establishment and implementation of the current CSE incentive payment system was in part a recognition that a single indicator (i.e., cost-effectiveness) could not effectively evaluate the performance of the CSE program. The current CSE incentive payment system bases incentives on the state's success in achieving a number of goals, in addition to its ability to provide services in a cost-effective manner. Incentive payments are tied to the rates of paternity establishment, child support order establishment, collection of current child support payments, and collection of arrearages (past-due child support payments), as well as the amount of child support collected for each dollar spent (i.e., cost-effectiveness).

Some in the CSE community contend that several other indicators of performance have just as much legitimacy as the five measures that were enacted. They include medical child support, interstate collections, welfare cost avoidance, payment processing performance, and customer service. In contrast, according to a report on the implementation of the CSE incentive payment system, many states indicated that the five measures were adequate and that adding new ones would be premature.<sup>40</sup>

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<sup>39</sup> States that fail to attain an applicable percentage score of 40% with respect to arrearage collections can still earn an incentive payment if the state improves its performance by at least 5 percentage points over its previous year's score. A financial penalty is not imposed on states that fail to meet specified performance levels with respect to the arrearage collections performance measure.

<sup>40</sup> *Study of the Implementation of the Performance-Based Incentive System—Final Report*. Prepared for the Office of Child Support Enforcement by the Legin Group (Karen N. Gardiner, Michael E. Fishman, and Asaph Glosser) and ECONorthwest (John Tapogna), 2004.

## Medical Child Support

P.L. 105-200 required the HHS Secretary in consultation with state CSE directors and custodial parents to develop a performance indicator that would measure the effectiveness of states in establishing and enforcing medical child support obligations. Supporters maintained that a medical child support measure would encourage states to strengthen their efforts to ensure that every child who is eligible for CSE services has comprehensive health care coverage. But even supporters of the proposal agree that not enough reliable data exist upon which to calculate a medical child support measure. Some supporters have also expressed concern about the benefits of implementing a performance measure before states have adequate tools to improve their performance in this area.<sup>41</sup> According to the CSE Justifications of Appropriations document for FY2008, OCSE is developing two new indicators to measure the extent to which medical child support is ordered and provided in child support cases. According to the Justifications, states have submitted medical support performance measure data for FY2006 and during calendar year 2007 data reliability audits will be conducted on the medical child support data.<sup>42</sup>

## Interstate Collections

Many CSE workers contend that the most difficult child support orders to establish and enforce are interstate cases. Although states are required to cooperate in interstate child support enforcement, problems arise due to the autonomy of local courts. Family law has traditionally been under the jurisdiction of state and local governments, and citizens fall under the jurisdiction of the courts where they live. Many child support advocates argue that a child should not be seriously disadvantaged in obtaining child support just because his or her parents do not live in the same state. Despite several federal enforcement tools intended to facilitate the establishment and enforcement of interstate collections, problems still exist. Given that about 33% of all CSE cases involve more than one state, some analysts maintain that a performance indicator that would measure whether states were successfully establishing and enforcing interstate child support cases would significantly improve the overall effectiveness of the CSE program.<sup>43</sup>

Others acknowledge the importance of interstate collections but argue that states are not yet in a position to perform satisfactorily on an interstate performance measure. They acknowledge that although interstate collections increased by 39% over the eight-year period FY1998-FY2006, from \$1.032 billion in FY1998 to \$1.438 billion in FY2006, interstate collections (i.e., child support collections forwarded to other states) comprised between 6% and 7% of total CSE collections over the period FY1998-FY2006.

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<sup>41</sup> U.S. Department of Health and Human Services. Administration for Children and Families. Office of Child Support Enforcement. *21 Million Children's Health: Our Shared Responsibility - The Medical Child Support Working Group's Report*. June 2000. See Chapter 7.

<sup>42</sup> U.S. Department of Health and Human Services. *Administration for Children and Families FY2008 Justification of Estimates for Appropriations Committee*. February 2007. p. 259.

<sup>43</sup> U.S. House of Representatives. Committee on Ways and Means. *2004 Green Book: Background Material and Data on the Programs Within the Jurisdiction of the Committee on Ways and Means*. March 2004. WMCP:108-6, p. 8-43—8-49.

## **Welfare Cost Avoidance**

Unlike other social services programs, the CSE program is intended to transfer private—not public—funds to nonwelfare families enrolled in the program. Thus, the CSE program imposes personal responsibility on noncustodial parents by requiring them to meet their financial obligations to their children, thereby alleviating taxpayers of this responsibility. These child support payments reduce government spending by providing families with incomes sufficient to make them ineligible for programs such as TANF, food stamps, and Medicaid.

In FY2004, child support payments enabled 331,000 CSE families to end their TANF eligibility. Research has indicated that families go on welfare less often and leave sooner when they receive reliable child support payments. In addition, federal costs for Medicaid, food stamps, and other means-tested programs decrease when both parents support their children.<sup>44</sup>

Although it is difficult to determine *how much* money might have been spent on various public assistance programs without the collection of child support payments, some analysts contend that it would be good public policy to add a performance indicator that attempts to measure—or at least estimate—the impact of CSE collections in reducing or eliminating costs in other public benefit/welfare programs.<sup>45</sup> Other analysts argue that adding a performance indicator to measure welfare cost avoidance would only add more complexity to an already complicated incentive payment system.

## **Payment Processing Performance**

Some state policymakers and advocates want to look at an even broader set of factors when evaluating their state CSE program. They maintain that a legitimate purpose of performance standards in some instances is to set expectations. They contend that, because the CSE program has expanded its mission from welfare cost recovery to include promotion of self-sufficiency and personal responsibility and service delivery, it should account for payment processing performance. Such a measure would try to capture whether or not child support payments were accurately accounted, whether families were paid in a timely manner, and whether both custodial and noncustodial parents were satisfied with the state's CSE dispute resolution system.<sup>46</sup>

## **Should TANF Funds Be Reduced Because of Poor CSE Performance?**

Several persons who commented on the federal regulations for implementation of the CSE incentive payment and audit penalty provisions said that incentive payments and financial

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<sup>44</sup> The Effects of Child Support on Welfare Exits and Re-entries, by Chien-Chung Huang, James Kunz, and Irwin Garfinkel. *Journal of Policy Analysis and Management*, Vol. 21, No. 4, p. 557-576 (2002); [http://www.lafollette.wisc.edu/Courses/PA882/Huangm%20et%20al\\_JPAM.pdf](http://www.lafollette.wisc.edu/Courses/PA882/Huangm%20et%20al_JPAM.pdf).

<sup>45</sup> Urban Institute, prepared for the Department of Health and Human Services, Administration for Children and Families, Office of Child Support Enforcement, *Child Support Cost Avoidance in 1999, Final Report*, by Laura Wheaton, June 6, 2003, Contract No. 105-00-8303; [http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/cost\\_avoidance/#N10026](http://www.acf.dhhs.gov/programs/cse/pubs/2003/reports/cost_avoidance/#N10026).

<sup>46</sup> National Conference of State Legislatures. *Issue Brief: Accurately Evaluating State Child Support Program Performance*, by Teresa A. Myers; <http://www.ncsl.org/programs/cyf/PerformIB.htm>.

penalties are at odds with each other because they affect different programs (i.e., CSE and TANF).<sup>47</sup> Incentive payments are given to states from federal CSE funding and penalties are taken from a state's TANF funding.<sup>48</sup>

Historically, Congress has linked the CSE program and the TANF (and old AFDC) program. Currently Section 402(a)(2) of the Social Security Act (Title IV-A which deals with TANF (and used to pertain to the AFDC program)) stipulates that the Governor of a state must certify that it will operate an approved CSE program as a condition of receiving TANF block grant funding. Since the enactment of the CSE program in 1975, there has always been a provision in federal law that linked poor performance (and penalties) or noncompliance in the CSE program with a reduction in Title IV-A funding.

The principle that there are levels of state performance that would merit an incentive payment and there are levels that would warrant a penalty was incorporated into the current CSE incentive payment system. But, the law also provides that, before a penalty is imposed, states with lower performance levels may be able to receive some incentive, provided their program improves sufficiently and quickly.<sup>49</sup> States with poor performance are able to still qualify for an incentive payment if a significant increase over the previous year's performance is achieved in those measures (i.e., 10 percentage points on the paternity establishment performance level, 5 percentage points on the child support order establishment performance level, 5 percentage points on the current support collections performance level, and 5 percentage points on the arrearage collections performance level).

Federal law stipulates that with regard to the three "more important" performance measures, states must achieve certain levels of performance in order to avoid being penalized for poor performance. The three performance measures are: paternity establishment, child support order establishment, and collection of current child support payments. A graduated penalty equal to a 1% to 5% reduction in federal TANF block grant funds is assessed against states that fail to meet the CSE performance requirements.<sup>50</sup>

Although there is an interaction between the incentive payment and financial penalty systems, they affect different programs. Thus, even if a state's incentive payment is larger than any penalty assessed against the state, the state cannot easily reconcile the difference because the state is required to reinvest incentive payments back into the CSE program. The state would have to expend other state funds (that are not earmarked for the CSE program) to replace the loss in TANF funding.

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<sup>47</sup> *Federal Register*, Vol. 64, No. 249. Office of Child Support Enforcement, Department of Health and Human Services. Child Support Enforcement Program; Incentive Payments, Audit Penalties. Final Rule. December 27, 2000 (p. 50 of 71).

<sup>48</sup> Even in cases in which the amount of the child support payment incentive is larger than the amount of the TANF penalty imposed, a state is required to reinvest its incentive payment in its CSE program, while penalties are assessed from the TANF funding stream. States that acquire a penalty would find that each quarterly TANF payment for the upcoming year would be reduced for a total of the TANF penalty amount. These states would then additionally have to expend an equivalent amount of state funds if they wanted to replace the reduction of federal funds.

<sup>49</sup> Under this alternative improvement formula, the CSE incentive payment can never be more than half (50%) of the maximum incentive possible. The cost-effectiveness performance indicator is the only measure whereby improved performance does not translate into an incentive payment.

<sup>50</sup> The percentage reduction depends on number of times a state fails to comply with CSE state plan requirements (i.e., at least 1% but not more than 2% for the 1<sup>st</sup> failure to comply, at least 2% but not more than 3% for the 2<sup>nd</sup> failure, and at least 3% but not more than 5% for the 3<sup>rd</sup> and subsequent failures).

An alternative to imposing penalties in the form of reducing TANF funding to a state for the inadequacies of its CSE program would be to reduce funding for the CSE program instead. This could be done by taking the financial penalty out of the state's incentive payment and/or subtracting the penalty from the federal government's 66% matching funds to the state.

## **Why Aren't the Incentives and Penalties Consistent for the Paternity Establishment Performance Measure?**

Unlike the other performance measures, the paternity establishment indicator has two separate standards to which it must adhere. First, the Paternity Establishment Percentage (PEP), must meet a 90% standard (Section 452(g) of the Social Security Act). This means that federal law currently requires that states must establish paternity for at least 90% of the children who need to have their father legally identified in order to substantially comply with the requirements of the CSE program.<sup>51</sup>

If a state does not meet the PEP, it must raise its performance by a specified level of improvement in order to avoid having a financial penalty imposed. The percentage of improvement required varies with a state's performance level. The increase needed to avoid a penalty decreases with higher PEP scores until a state reaches a 90% or higher PEP, at which point the penalty is avoided without an increase in performance.<sup>52</sup> For example, a state with a PEP of less than 40% needs a 6 percentage point increase over the prior year to avoid the penalty. Whereas, a state with a PEP between 75% and 90% needs a 2 percentage point increase over the previous year to avoid the penalty.<sup>53</sup> If the state fails to increase the PEP by the necessary percentage points after a corrective action period, the state is penalized by a 1%-5% reduction in its state's TANF funding.

Second, in a separate provision (Section 458 of the Social Security Act) the PEP is included as one of the five CSE performance measures. Thus, states can receive incentive payments if their PEP meets certain requirements. The incentive payment provision with respect to the PEP is consistent with the view of the CSE community that only poor performance should be penalized. Thus, under the incentive formula, an incentive is awarded to a state with a PEP of 50% or more. The incentive formula provides that a state that achieves a PEP of 80% or more will receive 100% of the applicable state collection's base for that measure. If a state has a PEP of less than 50%, the

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<sup>51</sup> The original Paternity Establishment Percentage (PEP) was enacted into law as part of the Family Support Act of 1988 (P.L. 100-485, Section 452(g) of the Social Security Act). The Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66) increased the percentage of children for whom a state must establish paternity (PEP) from 50% to 75%. P.L. 103-66 also imposed financial penalties against states that failed to comply with the mandatory paternity standards. The financial penalty translated into a reduction in federal matching funds for the state's AFDC program. P.L. 104-193, the 1996 welfare reform law, raised the PEP from 75% to 90%.

<sup>52</sup> *Report on State Child Support Enforcement Performance Penalties*. Recommendations of the State/Federal Penalties Work Group. July 27, 1998; <http://www.acf.hhs.gov/programs/cse/pol/DCL/1998/dcl9893a.htm>.

<sup>53</sup> A state with a paternity establishment percentage at a level between 75% and 90% is required to increase its paternity establishment percentage by two percentage points over the previous year's percentage. A state with a paternity establishment percentage at a level between 50% and 75% is required to increase its paternity establishment percentage by three percentage points over the previous year's percentage. A state with a paternity establishment percentage at a level between 45% and 50% is required to increase its paternity establishment percentage by four percentage points over the previous year's percentage. A state with a paternity establishment percentage at a level between 40% and 45% is required to increase its paternity establishment percentage by five percentage points over the previous year's percentage. A state with a paternity establishment percentage at a level less than 40% is required to increase its paternity establishment percentage by six percentage points over the previous year's percentage.

state must increase its PEP score by at least 10 percentage points over the previous year's score in order to receive an incentive payment.

From the outset of the performance measure debate (1996-1998), there was a concern about whether states should be subject to penalties and be eligible for incentives at the same time. Some argued that the lack of an incentive payment would make some states doubly penalized by not improving performance. It was decided that states should be eligible for incentive payments based on performance even if they were subject to penalties because their performance had not improved to the extent required to avoid the penalty.<sup>54</sup> The work group that developed the current incentive payment system maintained that the existing statutory PEP standard of 90% was too high and that it conflicted with their premise that only very poor performance should be penalized. Thus, the work group overlaid another provision on top of existing law which provided that a state that had a PEP of 80% or higher would receive 100% of the applicable state collection's base for the paternity establishment performance measure. This new PEP for incentive payment purposes created what many maintain is an inconsistency in CSE law.

According to the National Council of Child Support Directors:

It is inconsistent to reward a state that achieves a paternity establishment percentage of 80% with maximum child support incentive funding, but impose a penalty against the State's TANF funding if a 2 percentage point increase is not achieved between 80% and 90% performance.<sup>55</sup>

The National Council of Child Support Directors recommended that "the paternity establishment penalty provisions set the upper threshold at 80%, which will then make it consistent and uniform with the existing incentive formula under which a state that has a paternity establishment percentage of 80% or more receives 100% of the weight allowable for that measure."<sup>56</sup> If this recommendation was enacted into law, states would be required to establish paternity for at least 80% of the children who need to have their father legally identified rather than 90% (as required by current law).

## **Should Incentive Payments Be Based on Individual State Performance Rather Than Aggregate State Performance?**

The CSE incentive payment system adds an element of uncertainty to what used to be a somewhat predictable source of income for states. Although in the aggregate, states receive higher incentive payments than under the earlier incentive payment system, these totals are a fixed amount, and individual states have to compete with each other for their share of the capped funds. The revenue-neutral capped incentive payment system creates an interactive effect—an increase in incentive payments to one state must be matched by a decrease in payments to other states. Similarly, if one state's performance weakens or the state fails an audit, every other state obtains an increase in incentive payments.<sup>57</sup>

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<sup>54</sup> *Incentive Funding Work Group: Report to the Secretary of Health and Human Services*. January 31, 1997. p. 9.

<sup>55</sup> National Council of Child Support Directors. Position Paper on *Paternity Performance Penalty Revisions*, February 24, 2005.

<sup>56</sup> *Ibid.*

<sup>57</sup> *Study of the Implementation of the Performance-Based Incentive System—Interim Report*, by the Lewin Group (continued...)

Although CSE incentive payments were constructed to compare a state's program performance to itself rather than a "national average," the fixed amount of aggregate incentive payments forces a state to compete with the other states for its share of the aggregate amount.<sup>58</sup>

Under the current incentive system, whether or not a state receives an incentive payment for good performance and the total amount of the incentive payment depend on four factors: the total amount of money available in a given fiscal year from which to make incentive payments, the state's success in obtaining collections on behalf of its caseload, the state's performance in five areas, and the relative success or failure of other states in making collections and meeting these performance criteria. Because the incentive payments are now capped, some states face a loss of incentive payments even if they improve their performance.

Some analysts argue that each state is unique in terms of its CSE caseload and thereby should only have to make improvements over its performance in previous years with regard to rewarding of incentive payments. Nevertheless, CSE programs are compared to one another in that there is a capped funding source and it must be shared by all. So even though Texas has a large CSE caseload, shares an international border, and has vast cultural and socioeconomic diversity among its residents, its program is in essence compared to that of a small mid-western state or a wealthy northeastern state in determining its share of CSE incentive dollars.<sup>59</sup>

Others contend that if a state deems that it has not received a sufficient amount of incentive payments and that more CSE funding is necessary, it is the state's prerogative to augment federal funding. They maintain that the federal government is carrying too much of the financial burden of CSE program. They point out that the federal government matches state funds at a 66% rate and additionally provides states with incentive payments.

## **Will the Elimination of the Federal Match of Incentive Payments Adversely Affect CSE Programs?**

As mentioned earlier, the CSE funding structure requires states to spend state dollars on the program in order to receive federal matching funds. An important source of those states' dollars has been CSE incentive payments. CSE incentive payments represent a significant percentage of CSE financing for the states. A 2003 report commissioned by HHS indicated that for the nation as a whole, federal CSE incentive payments represented 25% of CSE financing for the states.<sup>60</sup>

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(...continued)

(Karen Gardiner, Michael Fishman, and Asaph Glosser) and ECONorthwest (John Tapogna). Prepared for the Office of Child Support Enforcement. October 2003. p. 9 and p. 20.

<sup>58</sup> P.L. 105-200 stipulated that the aggregate incentive payment to the states could not exceed the following amounts, i.e., \$422 million for FY2000, \$429 million for FY2001; \$450 million for FY2002; \$461 million for FY2003, \$454 million for FY2004; \$446 million for FY2005; \$458 million for FY2006; \$471 million for FY2007; and \$483 million for FY2008. For years after FY2008, the aggregate incentive payment to the states is to be increased to account for inflation.

<sup>59</sup> National Conference of State Legislatures. *Issue Brief: Accurately Evaluating State Child Support Program Performance*, by Teresa A. Myers; <http://www.ncsl.org/programs/cyf/PerformIB.htm>.

<sup>60</sup> U.S. Department of Health and Human Services. *State Financing of Child Support Enforcement Programs: Final Report*, prepared for the Assistant Secretary for Planning and Evaluation and the Office of Child Support Enforcement, prepared by Michael E. Fishman, Kristin Dybdal of the Legin Group, Inc. and John Tapogna of ECONorthwest, September 3, 2003, p. iii.

Until now, states have received a 66% federal match for every dollar invested in the CSE program, including incentive payments (which came from the federal government). Although incentive payments per se are not affected, P.L. 109-171 included a provision that eliminated (effective October 1, 2007) the federal match on CSE incentive payments that states, in compliance with federal law, reinvest back into the CSE program. This provision was passed as part of the Deficit Reduction Act because many argued that “reinvesting” incentive payments back into the CSE program was really supplanting state funding. States are no longer entitled to receive federal matching funds for CSE incentive payments that the state reinvests in the CSE program. The elimination of federal reimbursement of CSE incentive payments is likely to result in a significant reduction in CSE financing. Two bills (H.R. 1386/S. 803) have been introduced in the 110<sup>th</sup> Congress to repeal the provision that eliminates the federal match on incentive payments. In other words, both bills would restore the federal match on incentive payments.

Under previous law, the 66% federal matching rate on incentive payments resulted in a near tripling of state CSE funding—in that for every dollar the state reinvested in the CSE program, the federal government matched that investment with about \$2.<sup>61</sup> Thereby, states were able to significantly leverage their investment through the federal financial structure.

Both a 2003 study by the Lewin Group (mentioned earlier) and a recent 2007 study by the Lewin Group indicate that CSE incentive payments represent 25% of all funds used to draw down the federal match for the CSE program. According to the Lewin study:

... there is substantial variation across states in the proportion of the state share financed by incentives (from 7 percent to 54 percent). This variation may be due to a number of factors, such as poor state performance on incentive measures (thus low incentive payments) or higher appropriations from state legislatures. Similarly, the decrease in expenditures assuming no new state outlays ranges from 5 percent to 36 percent.<sup>62</sup>

The 2007 Lewin study also indicates that because about a third of the CSE caseload is composed of interstate cases, CSE directors expect that the elimination of the federal match on incentive payments will probably result in negative interstate ramifications. The study uses the following illustration.

For example, consider two states. State A replaces funding and maintains strong performance, but State B cuts back services due to funding shortfalls and performance declines. State A needs assistance from State B on interstate cases, but State B cuts back staff on this labor-intensive unit. State A’s performance is affected negatively as a result.<sup>63</sup>

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<sup>61</sup> The general CSE federal matching rate is 66%. This means that for every dollar that a state spends on its CSE program, the federal government will reimburse the state 66 cents. So if the state spends \$1 on its program, the federal share of that expenditure is 66 cents and the state share of that expenditure is 34 cents. The algebraic formula for this relationship is represented by  $.66/.34=x/1$ . Thereby, if the state share of the expenditure is \$1, the federal share is \$1.94 (i.e., the federal share is 1.94 times the state share), and the total expenditure by the state is \$2.94 (\$1+\$1.94). Similarly, if the state share of expenditures amounted solely to the incentive payment of \$471 million (i.e., the statutory cap on the aggregate CSE incentive payment for FY2007), the federal share would amount to 1.94 times that amount, or \$914 million, translating into \$1.385 billion in total CSE expenditures/funding.

<sup>62</sup> The Lewin Group. *Anticipated Effects of the Deficit Reduction Act Provisions on Child Support Program Financing and Performance Summary of Data Analysis and IV-D Director Calls*. Prepared for the National Council of Child Support Directors by the Lewin Group and ECONorthwest. July 20, 2007. p. 4; [http://www.nccsd.net/documents/nccsd\\_final\\_report\\_revised\\_2\\_437782.pdf](http://www.nccsd.net/documents/nccsd_final_report_revised_2_437782.pdf).

<sup>63</sup> *Ibid.*, p. iv.

It is generally agreed that state spending/investment in the CSE program significantly impacts program performance. Several studies have indicated that most of the best-performing state CSE programs also have the most generous funding levels.<sup>64</sup> The elimination of the federal match of incentive payments is expected to reduce overall CSE program expenditures and correspondingly reduce the rate of growth of child support collections. The OCSE expects that while states will increase their state contributions to cover some of the lost federal funds, they will not completely make up the shortfall and overall CSE expenditures will be reduced.<sup>65</sup>

<http://wikileaks.org/wiki/CRS-RL34203>

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<sup>64</sup> Center for Law and Social Policy. *You Get What You Pay For: How Federal and State Investment Decisions Affect Child Support Performance*, by Vicki Turetsky. December 1998. See also National Conference of State Legislatures. *Issue Brief: Accurately Evaluating State Child Support Program Performance*, by Teresa A. Myers. <http://www.ncsl.org/programs/cyf/PerformIB.htm>

<sup>65</sup> U.S. Department of Health and Human Services. Administration for Children and Families. *Fiscal Year 2008—Justification of Estimates for Appropriations Committees. Child Support Enforcement*. p. 443-445.

## Appendix A. Legislative History of CSE Incentive Payments

Before enactment of the CSE program in 1975, when a state or locality collected child support payments from a noncustodial parent on behalf of a family receiving Aid to Families with Dependent Children (AFDC), the federal government was reimbursed for its share of the cost of AFDC payments to the family.<sup>66</sup> Although local units of government (e.g., counties) often enforced child support obligations, in most states they did not make any financial contributions toward funding AFDC benefit payments. Therefore the localities were not eligible for any share of the “savings” that occurred when child support was collected from a noncustodial parent on behalf of an AFDC family. From the debate on the establishment of a CSE program, Congress concluded that a fiscal sharing in the results of child support collections could be a strong incentive for encouraging the local units of government to improve their CSE activities.<sup>67</sup>

### **P.L. 90-248, Social Security Amendments of 1967 (January 2, 1968)**

Although the formal CSE program was not in existence, P.L. 90-248 provided for the development and implementation of a program under which a state agency would undertake the responsibility for (1) determining the paternity of children receiving AFDC and who were born outside of marriage, and (2) securing financial support from the noncustodial parent for these and other children receiving AFDC, using reciprocal arrangements with other states to obtain and enforce court orders for support. (P.L. 89-97, the Social Security Amendments of 1965 (enacted July 30, 1965), allowed states to use the Federal Medical Assistance Percentage (FMAP) to determine federal-state cost sharing for Title IV-A (i.e., AFDC expenditures), which ranged from a minimum of 50% to a maximum of 83%.) Title IV-A included the child support enforcement provisions indicated above. This meant that if a state collected child support payments on behalf of an AFDC family, the federal government would be reimbursed at the state’s FMAP. If the state had an FMAP of 60%, the federal government was reimbursed \$60 for every \$100 the state collected (from the noncustodial parent) in child support payments for AFDC families.

### **P.L. 93-647, Enactment of the CSE Program<sup>68</sup> (January 4, 1975)**

P.L. 93-647 required that if a child support collection were made by any locality in the state or by the state for another state, that locality or state was to receive a special bonus—incentive payment—based on the amount of any child support collected from a noncustodial parent to reimburse amounts paid out as AFDC. The incentive payment was equal to 25% of the amount of child support collected on behalf of AFDC families for the first 12 months and 10% thereafter. The incentive payment came out of the federal share of the child support recovered (i.e., collected) on behalf AFDC families.<sup>69</sup>

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<sup>66</sup> The federal share of AFDC benefit expenditures ranged from 50% to 83%, depending on state per capita income.

<sup>67</sup> U.S. Senate. Committee on Finance. *Social Services Amendments of 1974; a report to accompany H.R. 17045*. December 14, 1974. S.Rept. 93-1356. p. 50-51.

<sup>68</sup> The CSE program was enacted as Title IV-D of the Social Security Act.

<sup>69</sup> P.L. 93-647 stipulated that child support payments on behalf of AFDC families were to be paid to the states following an assignment of child support rights by the AFDC client to the state. Because federal dollars were used to (continued...)

## **P.L. 95-30, Tax Reduction and Simplification Act of 1977 (May 23, 1977)**

P.L. 95-30 changed the rate at which incentives were paid to states and localities for child support collections used to reimburse AFDC payments. This amendment to Section 458 of the Social Security Act simplified the complex process of computing incentive payments at two different rates by adopting a flat 15% incentive payment rate. The incentive payment was now equal to 15% of child support collections made on behalf of AFDC families. The incentive payment came out of the federal share of the child support recovered (i.e., collected) on behalf AFDC families.

## **P.L. 97-248, Tax Equity and Fiscal Responsibility Act of 1982 (September 3, 1982)**

P.L. 97-248 reduced the incentive payment rate from 15% of child support collections made on behalf of AFDC families to 12% of child support collections made on behalf of AFDC families. The incentive payment came out of the federal share of the child support recovered (i.e., collected) on behalf AFDC families.

## **P.L. 98-378, Child Support Enforcement Amendments of 1984 (August 16, 1984)**

P.L. 98-378 significantly revised incentive payments. Instead of making incentive payments to localities and states that collected child support payments on another state's behalf, the federal government made the incentive payments directly to the states<sup>70</sup> and each state was required to pass incentive payments through to local CSE agencies if those agencies shared in funding the state CSE program. In order to improve cost-effectiveness and encourage states to emphasize child support collections on behalf of both AFDC and non-AFDC families, the incentive payment formula was changed so that states were paid a minimum of 6% of their child support collections in AFDC cases and 6% of their child support collections in non-AFDC cases. Under this approach, there was the potential to earn up to 10% of both AFDC and non-AFDC child support collections depending on the state's cost-effectiveness in running a child support program (i.e., ratio of state collections to the state's cost of operating the CSE program). The federal government paid the incentive payments from its share of retained collections for AFDC families and capped the amount of incentive payments any state could earn on the non-AFDC cases at

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(...continued)

finance a portion of the state AFDC benefit payment, states were required to split child support payments collected on behalf of AFDC families with the federal government. The child support collections obtained on behalf of AFDC families are divided between the state and the federal government according to their respective share of total AFDC benefit payments (a small percentage of AFDC collections is paid directly to families). As noted above, the federal share of AFDC benefit expenditures ranged from 50% to 83%, depending on state per capita income. The federal share is also called the Federal Medical Assistance Percentage or FMAP.

<sup>70</sup> Before 1984, a state that initiated a successful action to collect child support from another state did not receive an incentive payment. Rather, the state that made the collection received the incentive payment. P.L. 98-378 stipulated that each state involved in an interstate child support collection be credited with the collection for purposes of computing the incentive payment. This "double-counting" was intended to encourage states to pursue interstate child support cases as energetically as they pursued intrastate child support cases.

115%<sup>71</sup> of the AFDC incentive payment earned. The incentive payments came out of the federal share of the child support recovered (i.e., collected) on behalf AFDC families.

### **P.L. 100-485, Family Support Act of 1988 (October 13, 1988)**

P.L. 100-485 included a provision that authorized Congress to create a U.S. Commission on Interstate Child Support to make recommendations to Congress on improving the child support program. That Commission's report called for a study of the federal funding formula and changes to an incentive structure that is based on performance. In addition, other national organizations, including the National Conference of State Legislatures, the American Public Welfare Association (now the American Public Human Services Association, APHSA), the National Governors Association, and several national advocacy organizations recommended the adoption of a new performance-based incentive system.<sup>72</sup>

### **P.L. 104-193, The 1996 Welfare Reform Law (August 22, 1996)**

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) required the HHS Secretary, in consultation with state CSE program directors, to recommend to Congress a new incentive funding system for state CSE programs based on program performance. P.L. 104-193 required that (1) the new incentive funding system be developed in a revenue-neutral manner; (2) the new system provide additional payments to any state based on that state's performance; and (3) the Secretary report to Congress on the proposed new system by March 1, 1997.

The Incentive Funding Workgroup was formed in October 1996. This group consisted of 15 state and local CSE directors or their representatives and 11 federal staff representatives from HHS. Earlier efforts of this state-federal partnership produced the National Strategic Plan for the CSE program and a set of outcome measures to indicate the program's success in achieving the goals and objectives of the plan. Using the same collaboration and consensus-building approach, state and federal partners recommended a new incentive funding system based on the foundation of the CSE National Strategic Plan.

Over a period of three months, recommendations for the new incentive funding system emerged. State partners consulted with state CSE programs not represented directly on the Workgroup. The final recommendations represented a consensus among state and federal partners on the new incentive funding system. The Secretary fully endorsed the incentive formula recommendations. The Secretary's report made recommendations for a new CSE incentive payment system to the House Committee on Ways and Means and the Senate Committee on Finance.<sup>73</sup>

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<sup>71</sup> The total amount of incentives awarded for non-AFDC collections could not exceed the amount of the state's incentive payments for AFDC collections for FY1986 and FY1987. The incentive paid for non-AFDC collections was capped at 105% of the incentive for AFDC collections for FY1988, 110% for FY1989, and 115% for FY1990 and years thereafter.

<sup>72</sup> The incentive payment system had been criticized for focusing on only one aspect of the CSE program: cost-effectiveness. It was faulted for not rewarding states for other important aspects of child support enforcement, such as paternity and support order establishment. In addition, because all states received the minimum incentive payment amount of 6% of both AFDC and non-AFDC collections regardless of the state's performance, many analysts claimed that the CSE incentive payment system did not have a real incentive effect.

<sup>73</sup> U.S. Department of Health and Human Services. Administration for Children and Families. Office of Child Support (continued...)

## **P.L. 105-200, The Child Support Performance and Incentive Act of 1998 (July 16, 1998)**

Most of the HHS Secretary's recommendations for a new incentive payment system were included in P.L. 105-200. This law replaced the old incentive payment system to states with a revised revenue-neutral incentive payment system that provides (1) incentive payments based on a percentage of the state's collections; (2) incorporation of five performance measures related to establishment of paternity and child support orders, collections of current and past-due support payments, and cost-effectiveness; (3) phase-in of the incentive system, with it being fully effective beginning in FY2002; (4) mandatory reinvestment of incentive payments into the CSE program (or an activity that contributes to improving the effectiveness or efficiency of the CSE program); and (5) an incentive payment formula weighted in favor of TANF and former TANF families.

P.L. 105-200 required the HHS Secretary to make incentive payments to the states and stipulated that the aggregate incentive payment to the states could not exceed the following amounts: \$422 million for FY2000, \$429 million for FY2001, \$450 million for FY2002,<sup>74</sup> \$461 million for FY2003, \$454 million for FY2004, \$446 million for FY2005, \$458 million for FY2006, \$471 million for FY2007, and \$483 million for FY2008. For years after FY2008, the aggregate incentive payment to the states is to be increased to account for inflation.

## **P.L. 109-171, Deficit Reduction Act of 2005 (February 8, 2006)**

P.L. 109-171 included a provision that eliminated (effective October 1, 2007) the 66% federal match on CSE incentive payments that states, in compliance with federal law, reinvest back into the CSE program. This means that CSE incentive payments that are received by states and reinvested in the CSE program are no longer eligible for federal reimbursement.

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(...continued)

Enforcement. *Child Support Enforcement Incentive Funding*. Report to the House of Representatives Committee on Ways and Means and the Senate Committee on Finance. February 1997.

<sup>74</sup> Before FY2002, CSE incentive payments were paid out of the federal share of child support collected on behalf of TANF families. Since October 1, 2001 (when the revised incentive payment system was fully phased-in), CSE incentive payments have been paid with federal funds that have been specifically appropriated out of the U.S. Treasury.

## Appendix B. Tables

**Appendix B** includes several detailed state tables. **Table B-1** shows that all states received incentive payments in FY2002, FY2003, FY2004, and FY2005 and the amounts they received. **Table B-2** presents CSE incentive payments for FY2002 together with unaudited incentive performance scores for each of the five performance measures for FY2002. **Table B-3** presents CSE incentive payments for FY2003 together with unaudited incentive performance scores for each of the five performance measures for FY2003. **Table B-4** presents CSE incentive payments for FY2004 together with unaudited incentive performance scores for each of the five performance measures for FY2004. **Table B-5** presents CSE incentive payments for FY2005 together with unaudited incentive performance scores for each of the five performance measures for FY2005. **Table B-6** shows only the unaudited incentive performance scores for FY2006.<sup>75</sup>

<http://wikileaks.org/wiki/CRS-RL34203>

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<sup>75</sup> OCSE has not yet published CSE incentive payment data by state for FY2006.

**Table B-1. Actual Incentive Payments, by State, FY2002-FY2005**

(arranged by state with the highest incentive payment to state with the lowest incentive payment)

State	FY2002	State	FY2003	State	FY2004	State	FY2005
1 California	36,814,328	1 California	45,258,302	1 California	43,917,140	1 California	41,743,556
2 Texas	33,815,354	2 Texas	36,825,204	2 Texas	35,018,030	2 Texas	37,594,823
3 Ohio	32,204,888	3 New York	30,829,027	3 Ohio	30,840,836	3 Ohio	28,985,608
4 Pennsylvania	30,284,824	4 Ohio	30,351,415	4 Michigan	29,072,933	4 New York	26,242,919
5 New York	30,176,739	5 Pennsylvania	29,533,145	5 Pennsylvania	26,532,361	5 Michigan	26,035,157
6 Michigan	30,128,156	6 Michigan	27,371,576	6 New York	26,298,854	6 Pennsylvania	25,422,058
7 Florida	21,261,888	7 Florida	22,545,490	7 Florida	25,086,328	7 Florida	25,263,730
8 New Jersey	17,367,328	8 New Jersey	17,895,131	8 New Jersey	16,335,761	8 New Jersey	15,974,982
9 Wisconsin	15,924,085	9 Wisconsin	15,632,872	9 Wisconsin	14,529,242	9 Wisconsin	13,748,475
10 Washington	15,204,033	10 Washington	14,675,136	10 Washington	13,445,851	10 North Carolina	13,461,627
11 Minnesota	13,555,076	11 Minnesota	13,492,130	11 Minnesota	13,048,434	11 Washington	12,719,377
12 Georgia	11,999,643	12 North Carolina	12,209,075	12 North Carolina	12,807,092	12 Minnesota	12,135,231
13 North Carolina	11,741,877	13 Virginia	11,431,758	13 Virginia	10,673,373	13 Georgia	10,808,188
14 Virginia	11,212,586	14 Georgia	10,453,125	14 Georgia	10,574,394	14 Virginia	10,237,234
15 Massachusetts	9,717,960	15 Massachusetts	9,958,854	15 Missouri	10,525,886	15 Missouri	10,204,439
16 Maryland	8,749,496	16 Missouri	8,653,176	16 Massachusetts	9,168,115	16 Massachusetts	8,898,038
17 Missouri	8,496,830	17 Kentucky	7,954,630	17 Illinois	8,440,244	17 Illinois	8,650,633
18 Kentucky	8,088,515	18 Tennessee	7,716,005	18 Tennessee	7,766,731	18 Indiana	8,385,495
19 Iowa	7,126,528	19 Iowa	7,220,705	19 Kentucky	7,627,918	19 Tennessee	7,837,795
20 Tennessee	6,811,758	20 Illinois	7,166,179	20 Iowa	7,247,439	20 Maryland	7,303,489
21 Oregon	6,541,362	21 Maryland	6,537,765	21 Indiana	7,080,909	21 Iowa	6,917,274
22 Illinois	6,183,369	22 Oregon	6,336,173	22 Oregon	5,956,034	22 Louisiana	6,213,377
23 Indiana	5,564,581	23 Louisiana	6,130,392	23 Louisiana	5,878,940	23 Oregon	5,600,727
24 Connecticut	5,491,503	24 Indiana	5,552,522	24 Maryland	5,478,845	24 Arizona	5,423,112

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State	FY2002	State	FY2003	State	FY2004	State	FY2005
25 Colorado	5,356,965	25 Arizona	5,065,465	25 Arizona	4,992,036	25 Kentucky	5,208,111
26 Arizona	5,206,147	26 Colorado	4,920,924	26 Colorado	4,833,238	26 Connecticut	4,865,914
27 Louisiana	4,389,087	27 West Virginia	4,209,015	27 Alabama	3,923,947	27 Colorado	4,750,251
28 West Virginia	4,058,389	28 Alabama	4,001,595	28 West Virginia	3,775,411	28 Alabama	4,020,646
29 South Carolina	3,899,715	29 Connecticut	3,942,741	29 Utah	3,677,929	29 West Virginia	3,879,643
30 Arkansas	3,217,437	30 South Carolina	3,928,609	30 Nebraska	3,635,367	30 Oklahoma	3,643,878
31 Puerto Rico	3,201,676	31 Utah	3,493,011	31 South Carolina	3,605,396	31 Nebraska	3,475,303
32 Utah	3,101,832	32 Puerto Rico	3,463,489	32 Connecticut	3,455,259	32 South Carolina	3,321,883
33 Nebraska	3,056,992	33 Arkansas	3,146,484	33 Oklahoma	3,437,279	33 Kansas	3,289,970
34 Alabama	2,900,775	34 Kansas	3,105,801	34 Arkansas	3,361,187	34 Utah	3,288,628
35 Oklahoma	2,899,609	35 Nebraska	3,089,869	35 Kansas	3,306,309	35 Puerto Rico	3,268,672
36 Kansas	2,873,656	36 Oklahoma	3,056,022	36 Puerto Rico	3,273,456	36 Mississippi	3,222,870
37 Maine	2,596,197	37 Maine	2,556,766	37 Mississippi	3,246,021	37 Arkansas	2,490,610
38 Mississippi	2,526,611	38 Mississippi	2,482,905	38 Maine	2,339,229	38 Idaho	2,389,857
39 Alaska	1,679,107	39 Idaho	2,216,477	39 Idaho	2,335,547	39 Maine	2,167,195
40 South Dakota	1,656,493	40 Alaska	2,140,882	40 Alaska	1,934,767	40 Nevada	1,826,744
41 Idaho	1,650,232	41 New Hampshire	1,982,008	41 New Hampshire	1,803,991	41 Alaska	1,809,329
42 New Hampshire	1,438,353	42 South Dakota	1,660,526	42 Hawaii	1,566,788	42 New Hampshire	1,650,128
43 Montana	1,202,605	43 Hawaii	1,588,312	43 North Dakota	1,542,418	43 North Dakota	1,560,854
44 Wyoming	1,201,957	44 Nevada	1,293,543	44 South Dakota	1,517,780	44 South Dakota	1,466,513
45 North Dakota	1,192,916	45 North Dakota	1,264,209	45 Nevada	1,355,443	45 Hawaii	1,431,973
46 Vermont	1,127,161	46 Wyoming	1,163,775	46 Rhode Island	1,270,822	46 Rhode Island	1,211,250
47 Delaware	1,034,185	47 Montana	1,155,004	47 Delaware	1,265,209	47 Wyoming	1,163,702
48 Rhode Island	1,016,821	48 Vermont	1,086,334	48 Vermont	1,197,334	48 New Mexico	1,055,389
49 Hawaii	973,201	49 Delaware	970,247	49 Wyoming	1,180,509	49 Montana	1,028,469
50 Nevada	857,000	50 Rhode Island	962,198	50 Montana	1,061,120	50 Vermont	977,267
51 New Mexico	554,604	51 New Mexico	672,821	51 New Mexico	970,705	51 Delaware	900,305

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State	FY2002	State	FY2003	State	FY2004	State	FY2005
52 District of Columbia	502,393	52 District of Columbia	491,354	52 District of Columbia	597,907	52 District of Columbia	598,507
53 Guam	101,209	53 Virgin Islands	99,488	53 Virgin Islands	105,718	53 Guam	119,823
54 Virgin Islands	63,968	54 Guam	60,339	54 Guam	80,188	54 Virgin Islands	108,972
<b>Total</b>	<b>450,000,000</b>	<b>Total</b>	<b>461,000,000</b>	<b>Total</b>	<b>454,000,000</b>	<b>Total</b>	<b>446,000,000</b>

**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The shaded areas shows the rank order of each state from state with the highest incentive payment (ranked 1) to the state with the lowest incentive payment (ranked 54). The four jurisdictions of the District of Columbia, Guam, Puerto Rico, and the Virgin Islands are included in the state totals.

**Table B-2. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2002**

(arranged by highest performing state to lowest performing state)

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
California	36,814,328	Guam	452.87 <sup>a</sup>	South Dakota	92.03	Pennsylvania	74.70	New Hampshire	71.58	Indiana	7.80
Texas	33,815,354	Idaho	130.75	Washington	91.00	Minnesota	72.96	Pennsylvania	70.68	South Dakota	7.59
Ohio	32,204,888	Montana	113.07	Iowa	87.79	Wisconsin	72.68	Vermont	70.64	Mississippi	7.12
Pennsylvania	30,284,824	Texas	108.43	Maine	87.17	North Dakota	71.55	South Dakota	68.59	Pennsylvania	6.85
New York	30,176,739	California	107.94	Vermont	85.80	South Dakota	67.70	Washington	68.33	Hawaii	6.53
Michigan	30,128,156	New Hampshire	106.74	Utah	85.11	Ohio	66.77	Delaware	67.83	Virginia	6.34
Florida	21,261,888	South Dakota	106.46	North Dakota	84.76	Nebraska	66.49	Ohio	67.46	Puerto Rico	6.27
New Jersey	17,367,328	Pennsylvania	106.01	Colorado	83.46	Vermont	66.34	Alaska	67.39	Wisconsin	6.11
Wisconsin	15,924,085	Ohio	103.38	Montana	83.10	New Hampshire	65.51	North Dakota	66.12	South Carolina	5.87
Washington	15,204,033	Colorado	102.85	Pennsylvania	82.97	New York	65.12	Colorado	66.10	Oregon	5.85
Minnesota	13,555,076	Washington	100.88	Alaska	82.90	New Jersey	65.00	Utah	66.04	Massachusetts	5.77

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Georgia	11,999,643	Wyoming	97.78	Wyoming	82.75	Washington	63.98	Minnesota	65.07	Iowa	5.63
North Carolina	11,741,877	Illinois	97.06	New Hampshire	82.02	West Virginia	62.33	Texas	64.45	Texas	5.41
Virginia	11,212,586	Maryland	96.67	Virginia	80.20	Maryland	62.02	Maryland	64.29	Idaho	5.29
Massachusetts	9,717,960	Wisconsin	94.50	Wisconsin	78.99	North Carolina	61.26	Montana	63.72	Wyoming	5.00
Maryland	8,749,496	Oregon	94.40	Missouri	78.93	Rhode Island	61.11	Iowa	63.34	Washington	4.95
Missouri	8,496,830	Vermont	94.08	New Jersey	78.90	Delaware	60.74	Florida	62.83	Louisiana	4.87
Kentucky	8,088,515	Maine	93.56	Idaho	78.64	Oregon	60.41	Nevada	62.03	West Virginia	4.87
Iowa	7,126,528	Michigan	92.04	Arkansas	78.53	Wyoming	60.05	Nebraska	61.66	New Jersey	4.83
Tennessee	6,811,758	West Virginia	90.49	Minnesota	78.04	Texas	59.93	Wyoming	61.57	Ohio	4.81
Oregon	6,541,362	Utah	90.27	Michigan	76.22	Massachusetts	59.68	Maine	61.25	Kentucky	4.71
Illinois	6,183,369	Virginia	90.14	Nebraska	76.04	Michigan	59.36	New Jersey	61.18	North Dakota	4.71
Indiana	5,564,581	Alaska	89.64	California	75.32	Iowa	59.10	Wisconsin	61.07	Missouri	4.63
Connecticut	5,491,503	Puerto Rico	88.17	West Virginia	74.90	Virginia	58.97	Oregon	61.04	Michigan	4.59
Colorado	5,356,965	New York	87.77	North Carolina	73.15	Utah	58.60	Kansas	61.03	Rhode Island	4.52
Arizona	5,206,147	Iowa	87.57	New York	73.05	Montana	58.50	Georgia	60.78	Tennessee	4.50
Louisiana	4,389,087	North Dakota	87.40	Ohio	71.38	Maine	57.76	Michigan	60.78	Alaska	4.49
West Virginia	4,058,389	Arkansas	85.88	Massachusetts	71.17	Louisiana	56.44	Louisiana	60.63	New York	4.49
South Carolina	3,899,715	Connecticut	85.06	Indiana	70.59	Florida	56.40	New York	60.43	North Carolina	4.43
Arkansas	3,217,437	North Carolina	84.41	Delaware	70.34	Idaho	55.43	New Mexico	60.33	New Hampshire	4.37
Puerto Rico	3,201,676	Georgia	83.25	Kentucky	70.04	Kansas	55.06	North Carolina	60.32	Maine	4.28

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Utah	3,101,832	Kentucky	82.54	Oklahoma	69.69	Connecticut	55.04	Idaho	60.11	Arizona	4.25
Nebraska	3,056,992	Massachusetts	82.45	Texas	69.00	Colorado	54.97	Mississippi	59.84	Georgia	4.24
Alabama	2,900,775	Minnesota	82.06	Maryland	68.65	Alaska	53.84	Massachusetts	58.32	Maryland	4.19
Oklahoma	2,899,609	South Carolina	81.44	Georgia	68.16	Kentucky	52.80	Rhode Island	58.19	Montana	4.10
Kansas	2,873,656	Hawaii	81.41	Louisiana	67.36	Hawaii	51.13	West Virginia	57.53	Minnesota	4.05
Maine	2,596,197	New Jersey	81.37	Arizona	66.99	Missouri	50.74	Oklahoma	56.78	Florida	4.03
Mississippi	2,526,611	Nebraska	81.03	Oregon	66.91	Tennessee	50.44	Virginia	56.37	Vermont	3.93
Alaska	1,679,107	Oklahoma	80.69	South Carolina	66.71	Arkansas	50.32	Arkansas	55.53	Utah	3.89
South Dakota	1,656,493	Florida	80.10	Alabama	66.22	Georgia	49.73	California	54.92	Connecticut	3.76
Idaho	1,650,232	Missouri	79.74	Florida	65.23	Mississippi	49.55	Tennessee	54.54	Colorado	3.66
New Hampshire	1,438,353	Delaware	77.21	Connecticut	64.34	South Carolina	49.51	Connecticut	53.13	Delaware	3.66
Montana	1,202,605	Tennessee	76.94	Kansas	63.91	Puerto Rico	48.67	Indiana	52.58	Alabama	3.64
Wyoming	1,201,957	Louisiana	76.83	Puerto Rico	63.76	Indiana	48.52	Illinois	52.30	Nebraska	2.87
North Dakota	1,192,916	District of Columbia	75.23	Nevada	60.35	District of Columbia	47.96	South Carolina	51.84	Nevada	2.87
Vermont	1,127,161	Kansas	74.75	Hawaii	59.22	Alabama	47.77	Puerto Rico	50.84	Illinois	2.80
Delaware	1,034,185	Mississippi	69.82	Tennessee	56.55	Virgin Islands	47.02	Arizona	50.63	Oklahoma	2.80
Rhode Island	1,016,821	Rhode Island	68.85	Rhode Island	51.24	Nevada	46.99	Missouri	50.00	District of Columbia	2.69
Hawaii	973,201	Nevada	67.89	Guam	50.17	New Mexico	46.75	Kentucky	49.97	Arkansas	2.66
Nevada	857,000	Alabama	65.39	Mississippi	49.84	Oklahoma	46.46	Virgin Islands	48.69	Kansas	2.61
New Mexico	554,604	New Mexico	57.61	New Mexico	47.51	Arizona	44.48	Alabama	47.95	California	1.91
District of Columbia	502,393	Virgin Islands	52.94	Illinois	40.82	Guam	43.16	Guam	37.08	Guam	1.64

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Guam	101,209	Arizona	51.02	Virgin Islands	38.07	California	42.40	Hawaii	36.87	Virgin Islands	1.58
Virgin Islands	63,968	Indiana	50.83	District of Columbia	29.66	Illinois	39.11	District of Columbia	30.21	New Mexico	1.46

**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The paternity establishment percentage can be greater than 100% because states can take credit for paternities established for children of any age and compare that number established to the number of births outside of marriage for a single year.

a. Because of conflicting information and data in other reports Guam's PEP score of 452.87 was excluded from this report's analysis.

**Table B-3. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2003**  
(arranged by highest performing state to lowest performing state)

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
California	45,258,302	Kentucky	190.70	South Dakota	94.10	Pennsylvania	74.80	New Hampshire	72.20	Indiana	7.91
Texas	36,825,204	Texas	112.10	Washington	91.00	North Dakota	71.30	Pennsylvania	71.50	South Dakota	7.80
New York	30,829,027	California	107.10	Maine	90.00	Minnesota	69.90	Vermont	69.80	Mississippi	7.50
Ohio	30,351,415	Montana	103.30	Iowa	88.60	Wisconsin	67.70	South Dakota	69.20	Pennsylvania	6.80
Pennsylvania	29,533,145	Colorado	101.20	Vermont	87.60	Ohio	67.30	Washington	68.90	Virginia	6.52
Michigan	27,371,576	Idaho	100.80	Wyoming	86.50	South Dakota	67.10	North Dakota	68.80	South Carolina	6.32
Florida	22,545,490	Hawaii	100.60	North Dakota	85.70	Nebraska	66.30	Minnesota	68.00	Wisconsin	5.95
New Jersey	17,895,131	Pennsylvania	99.70	Utah	84.90	Vermont	65.80	Alaska	67.60	Oregon	5.93
Wisconsin	15,632,872	New Hampshire	99.30	Montana	84.10	New Jersey	65.00	Ohio	66.30	Idaho	5.70

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Washington	14,675,136	Maine	99.20	Colorado	83.70	New York	64.70	Utah	65.80	Puerto Rico	5.67
Minnesota	13,492,130	South Dakota	99.20	Virginia	82.90	New Hampshire	64.30	New Jersey	65.60	Texas	5.63
North Carolina	12,209,075	Washington	98.50	Alaska	82.80	Washington	64.30	Delaware	64.80	Wyoming	5.57
Virginia	11,431,758	New Jersey	98.10	Pennsylvania	81.50	Maryland	63.20	Florida	64.60	Iowa	5.52
Georgia	10,453,125	Wisconsin	97.90	New Hampshire	81.20	West Virginia	62.80	Montana	64.30	Tennessee	5.47
Massachusetts	9,958,854	Vermont	96.10	West Virginia	81.10	North Carolina	61.80	Georgia	63.60	Massachusetts	5.46
Missouri	8,653,176	Illinois	95.30	Wisconsin	80.30	Rhode Island	61.80	Iowa	63.40	Louisiana	5.11
Kentucky	7,954,630	North Dakota	95.10	Minnesota	79.60	Massachusetts	60.90	New Mexico	63.20	North Dakota	5.10
Tennessee	7,716,005	Ohio	95.10	Missouri	79.50	Wyoming	60.90	Wyoming	63.20	Hawaii	5.08
Iowa	7,220,705	Georgia	95.00	New Jersey	79.50	Delaware	60.70	Maryland	62.40	New Jersey	5.06
Illinois	7,166,179	Iowa	95.00	Arkansas	79.00	Iowa	60.00	Texas	62.30	New York	5.00
Maryland	6,537,765	Alaska	94.60	Idaho	77.90	Oregon	59.90	Kansas	62.00	Maine	4.99
Oregon	6,336,173	Oregon	93.60	Nebraska	77.90	Virginia	59.70	Wisconsin	62.00	North Carolina	4.99
Louisiana	6,130,392	Oklahoma	92.60	California	76.40	Montana	59.10	Oregon	61.60	Missouri	4.95
Indiana	5,552,522	Maryland	92.20	North Carolina	76.40	Utah	58.60	Nevada	61.20	Ohio	4.91
Arizona	5,065,465	North Carolina	91.00	New York	75.80	Arkansas	58.30	Colorado	60.50	Kentucky	4.88
Colorado	4,920,924	Puerto Rico	90.30	Texas	75.70	Texas	57.70	Massachusetts	60.40	Michigan	4.79
West Virginia	4,209,015	Utah	90.30	Indiana	75.10	Louisiana	56.90	Louisiana	59.80	New Hampshire	4.72
Alabama	4,001,595	New York	90.00	Massachusetts	73.90	Florida	56.40	New York	59.80	Rhode Island	4.63

<http://wikileaks.org/wiki/CRS-11-203>

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
Connecticut	3,942,741	Florida	89.40	Michigan	72.90	Alaska	55.70	Maine	59.60	Washington	4.54
South Carolina	3,928,609	Wyoming	89.10	Kentucky	72.40	Maine	55.70	West Virginia	59.40	West Virginia	4.54
Utah	3,493,011	West Virginia	88.20	Ohio	71.40	Michigan	55.70	Idaho	59.20	Maryland	4.53
Puerto Rico	3,463,489	Nebraska	88.10	Oklahoma	70.80	Kansas	55.30	Nebraska	59.20	Arizona	4.47
Arkansas	3,146,484	Massachusetts	86.50	South Carolina	70.70	Colorado	55.20	Michigan	59.00	Georgia	4.47
Kansas	3,105,801	Arkansas	86.00	Delaware	70.50	Connecticut	54.80	Mississippi	58.90	Florida	4.39
Nebraska	3,089,869	Mississippi	85.50	Georgia	70.10	Idaho	53.90	North Carolina	58.40	Alaska	4.24
Oklahoma	3,056,022	Missouri	85.50	Alabama	69.70	Tennessee	53.70	Virginia	57.50	Utah	4.13
Maine	2,556,766	Kansas	85.30	Florida	68.80	Kentucky	53.60	Oklahoma	57.40	Minnesota	4.05
Mississippi	2,482,905	Virginia	85.10	Maryland	68.80	Virgin Islands	53.10	Tennessee	57.30	Connecticut	4.04
Idaho	2,216,477	Minnesota	84.90	Oregon	68.60	Missouri	52.70	Rhode Island	57.20	Alabama	3.78
Alaska	2,140,882	Michigan	83.50	Louisiana	68.50	Puerto Rico	52.60	Arkansas	56.10	Vermont	3.78
New Hampshire	1,982,008	Connecticut	83.20	Kansas	68.30	Mississippi	52.00	California	55.40	Montana	3.63
South Dakota	1,660,526	Guam	81.70	Connecticut	65.30	Hawaii	51.30	Indiana	54.80	Colorado	3.22
Hawaii	1,588,312	Tennessee	79.00	Puerto Rico	64.70	Georgia	51.00	Connecticut	54.50	Nebraska	3.22
Nevada	1,293,543	Louisiana	78.80	Arizona	63.20	Indiana	50.50	Puerto Rico	52.40	Arkansas	3.12
North Dakota	1,264,209	South Carolina	78.80	Tennessee	60.30	Alabama	49.90	Illinois	51.40	Kansas	3.12
Wyoming	1,163,775	Virgin Islands	78.60	Hawaii	59.80	District of Columbia	49.70	South Carolina	51.30	Nevada	3.12
Montana	1,155,004	Delaware	73.70	Virgin Islands	54.90	South Carolina	49.20	Arizona	50.80	Oklahoma	3.12
Vermont	1,086,334	Indiana	72.30	Nevada	53.50	New Mexico	49.00	Missouri	50.80	Delaware	3.03

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Delaware	970,247	Arizona	71.60	Rhode Island	52.30	Oklahoma	48.40	Kentucky	50.70	Illinois	2.64
Rhode Island	962,198	Alabama	70.00	New Mexico	52.00	Illinois	47.00	Alabama	48.70	California	2.31
New Mexico	672,821	New Mexico	67.30	Guam	49.90	California	45.20	Virgin Islands	46.20	Guam	2.10
District of Columbia	491,354	Nevada	66.20	Mississippi	49.60	Guam	44.60	Guam	45.80	District of Columbia	2.09
Virgin Islands	99,488	Rhode Island	64.90	Illinois	46.70	Arizona	43.20	Hawaii	40.30	Virgin Islands	1.84
Guam	60,339	District of Columbia	63.90	District of Columbia	31.90	Nevada	40.90	District of Columbia	37.00	New Mexico	1.57

**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The paternity establishment percentage can be greater than 100% because states can take credit for paternitys established for children of any age and compare that number established to the number of births outside of marriage for a single year.

**Table B-4. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2004**

(arranged by highest performing state to lowest performing state)

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
California	43,917,140	California	117.76	South Dakota	93.73	Pennsylvania	74.37	New Hampshire	71.83	Hawaii	8.70
Texas	35,018,030	Colorado	108.72	Maine	90.31	North Dakota	72.02	Pennsylvania	70.97	Mississippi	7.96
Ohio	30,840,836	Illinois	106.57	Washington	89.69	Minnesota	69.53	Vermont	70.39	Puerto Rico	7.88
Michigan	29,072,933	New Jersey	106.27	Wyoming	88.33	South Dakota	68.29	South Dakota	68.76	South Dakota	7.49
Pennsylvania	26,532,361	Montana	104.98	Vermont	88.08	Ohio	67.88	North Dakota	67.35	Indiana	7.04
New York	26,298,854	Oklahoma	104.62	Iowa	86.96	Wisconsin	67.64	Washington	67.17	Pennsylvania	7.01
Florida	25,086,328	Texas	103.47	Alaska	86.82	Nebraska	67.37	Alaska	66.63	South	7.00

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
New Jersey	16,335,761	South Dakota	103.31	North Dakota	86.59	Vermont	66.12	Ohio	66.34	Carolina	6.33
Wisconsin	14,529,242	Ohio	102.59	Montana	85.25	New Jersey	64.92	Iowa	66.12	Oregon	6.17
Washington	13,445,851	Pennsylvania	101.38	Utah	85.25	New York	64.75	Minnesota	66.00	Kentucky	5.95
Minnesota	13,048,434	Maine	101.05	Colorado	84.73	New Hampshire	64.54	Florida	65.75	Texas	5.95
North Carolina	12,807,092	North Dakota	100.85	Pennsylvania	84.05	Washington	62.87	Utah	65.20	Idaho	5.94
Virginia	10,673,373	Wisconsin	100.15	Virginia	83.54	West Virginia	62.85	Colorado	64.93	Wisconsin	5.91
Georgia	10,574,394	New Hampshire	100.04	West Virginia	82.82	North Carolina	62.72	Nebraska	64.62	Iowa	5.59
Missouri	10,525,886	Minnesota	98.78	Wisconsin	81.92	Massachusetts	62.64	Delaware	64.30	Ohio	5.46
Massachusetts	9,168,115	Vermont	97.53	Minnesota	81.00	Iowa	62.18	Wisconsin	64.26	Michigan	5.42
Illinois	8,440,244	Washington	96.82	New Hampshire	80.98	Rhode Island	61.92	Wyoming	64.11	Missouri	5.40
Tennessee	7,766,731	Maryland	96.75	Missouri	80.70	Maryland	61.79	Texas	63.54	North Dakota	5.37
Kentucky	7,627,918	Iowa	96.10	New York	80.15	Wyoming	60.79	Montana	63.53	New Hampshire	5.27
Iowa	7,247,439	Puerto Rico	95.90	Arkansas	79.87	Delaware	60.29	New Jersey	63.34	Tennessee	5.16
Indiana	7,080,909	Idaho	94.87	Texas	79.83	Michigan	60.21	Kansas	62.30	Wyoming	5.16
Oregon	5,956,034	North Carolina	93.32	New Jersey	79.63	Virginia	60.04	Maryland	62.10	Louisiana	5.04
Louisiana	5,878,940	Florida	92.46	Nebraska	78.92	Utah	59.82	New Mexico	61.22	North Carolina	5.01
Maryland	5,478,845	Alaska	91.82	North Carolina	78.85	Oregon	59.29	Oregon	61.19	Rhode Island	5.01
Arizona	4,992,036	Nebraska	90.56	Idaho	78.55	Texas	58.54	North	61.02	New Jersey	4.89

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
Colorado	4,833,238	New Mexico	90.25	California	78.13	Montana	58.40	Carolina			
Alabama	3,923,947	New York	90.25	Kentucky	75.85	Florida	56.75	Maine	59.75	Massachusetts	4.88
West Virginia	3,775,411	Kentucky	89.45	Michigan	74.96	Maine	56.57	Tennessee	59.17	Georgia	4.67
Utah	3,677,929	Missouri	88.89	Massachusetts	74.42	Louisiana	55.93	Georgia	59.12	Maryland	4.57
Nebraska	3,635,367	Arkansas	88.21	Maryland	73.77	Idaho	55.68	New York	59.08	Washington	4.52
South Carolina	3,605,396	Hawaii	87.90	Alabama	73.05	Colorado	55.51	Rhode Island	58.94	Alaska	4.50
Connecticut	3,455,259	West Virginia	87.52	Kansas	73.00	Alaska	55.49	West Virginia	58.86	Florida	4.50
Oklahoma	3,437,279	Virginia	86.98	Delaware	72.05	Arkansas	55.34	Massachusetts	58.81	Arizona	4.42
Arkansas	3,361,187	Wyoming	86.89	Ohio	71.58	Tennessee	54.71	Louisiana	58.53	West Virginia	4.42
Kansas	3,306,309	Kansas	86.61	Louisiana	71.29	Kentucky	54.70	Illinois	58.22	Maine	4.35
Puerto Rico	3,273,456	Connecticut	86.40	South Carolina	71.17	Connecticut	54.54	Mississippi	58.22	New York	4.31
Mississippi	3,246,021	Michigan	86.11	Georgia	71.13	Kansas	54.38	Oklahoma	57.51	Vermont	4.22
Maine	2,339,229	Massachusetts	85.86	Indiana	70.54	Puerto Rico	53.84	Virginia	57.42	Minnesota	4.10
Idaho	2,335,547	Utah	84.41	Florida	70.03	Missouri	53.33	Arkansas	57.40	Utah	4.08
Alaska	1,934,767	Oregon	84.38	Oklahoma	69.54	Virgin Islands	53.24	Idaho	56.46	Alabama	3.95
New Hampshire	1,803,991	Virgin Islands	83.91	Arizona	68.80	Hawaii	53.09	Indiana	56.19	Montana	3.94
Hawaii	1,566,788	South Carolina	82.28	Connecticut	67.63	Mississippi	52.79	Michigan	55.60	Arkansas	3.88
North Dakota	1,542,418	Georgia	81.64	Oregon	67.48	Georgia	51.88	Connecticut	55.02	Oklahoma	3.64
South Dakota	1,517,780	Indiana	79.52	Puerto Rico	65.47	Alabama	51.26	California	54.94	Nebraska	3.63
Nevada	1,355,443	Louisiana	78.81	Tennessee	63.92	District of Columbia	51.22	Puerto Rico	53.56	Colorado	3.55
								Missouri	51.59	Nevada	3.31

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
Rhode Island	1,270,822	Tennessee	77.71	Nevada	59.78	Nevada	51.11	Nevada	51.44	Illinois	3.22
Delaware	1,265,209	Arizona	74.75	Hawaii	58.66	Indiana	51.04	Kentucky	51.34	Connecticut	3.20
Vermont	1,197,334	Rhode Island	74.75	Virgin Islands	54.85	New Mexico	49.42	Arizona	50.50	Kansas	3.15
Wyoming	1,180,509	Mississippi	74.47	New Mexico	53.92	Illinois	49.25	Alabama	50.00	District of Columbia	3.14
Montana	1,061,120	Delaware	74.13	Rhode Island	52.53	Oklahoma	48.60	South Carolina	49.21	Delaware	3.01
New Mexico	970,705	Alabama	73.72	Mississippi	52.13	South Carolina	48.39	Virgin Islands	47.93	Guam	2.26
District of Columbia	597,907	Guam	71.12	Illinois	51.50	California	47.96	Guam	47.52	California	2.12
Virgin Islands	105,718	District of Columbia	64.34	Guam	50.11	Guam	46.66	Hawaii	42.84	New Mexico	1.87
Guam	80,188	Nevada	63.21	District of Columbia	34.92	Arizona	42.68	District of Columbia	42.33	Virgin Islands	1.83

**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The paternity establishment percentage can be greater than 100% because states can take credit for paternities established for children of any age and compare that number established to the number of births outside of marriage for a single year.

**Table B-5. Child Support Enforcement Incentive Payments and Unaudited Incentive Performance Scores, FY2005**

(arranged by highest performing state to lowest performing state)

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
California	41,743,556	Oklahoma	112.42	South Dakota	96.00	Pennsylvania	74.72	Pennsylvania	73.50	Indiana	8.53
Texas	37,594,823	Maine	111.02	Alaska	92.41	North Dakota	72.70	New Hampshire	71.97	Mississippi	8.53
Ohio	28,985,608	Texas	107.95	Washington	89.57	Minnesota	69.31	Vermont	71.01	South Dakota	7.76

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective-ness Score
New York	26,242,919	California	106.54	Wyoming	89.38	South Dakota	69.04	North Dakota	69.69	South Carolina	7.07
Michigan	26,035,157	Montana	105.43	Maine	89.10	Wisconsin	69.01	South Dakota	69.52	Texas	6.81
Pennsylvania	25,422,058	Alaska	104.79	Montana	88.12	Ohio	68.98	Wyoming	67.76	Michigan	6.70
Florida	25,263,730	Puerto Rico	104.40	Vermont	88.02	Nebraska	67.84	Utah	67.57	Virginia	6.52
New Jersey	15,974,982	Ohio	104.13	North Dakota	86.75	Vermont	66.98	Alaska	67.46	Rhode Island	6.45
Wisconsin	13,748,475	South Dakota	103.56	Colorado	85.38	New Jersey	65.27	Florida	66.71	Pennsylvania	6.39
North Carolina	13,461,627	North Dakota	102.88	Iowa	85.35	New York	65.13	Ohio	66.54	Wyoming	6.25
Washington	12,719,377	New Hampshire	102.53	Utah	85.25	Iowa	64.74	Washington	66.11	North Dakota	6.03
Minnesota	12,135,231	New Jersey	100.45	Pennsylvania	84.71	New Hampshire	64.63	Minnesota	66.08	Puerto Rico	6.01
Georgia	10,808,188	Wisconsin	100.23	Virginia	84.68	North Carolina	64.52	Iowa	65.70	Kentucky	5.95
Virginia	10,237,234	Florida	99.90	Wisconsin	83.55	Massachusetts	63.79	Colorado	65.65	Massachusetts	5.93
Missouri	10,204,439	Vermont	98.82	West Virginia	83.54	West Virginia	63.69	Texas	65.23	Oregon	5.93
Massachusetts	8,898,038	Pennsylvania	98.73	Arkansas	82.41	Wyoming	63.67	Nebraska	64.96	Iowa	5.80
Illinois	8,650,633	Hawaii	98.09	Texas	82.23	Washington	63.31	Wisconsin	64.19	Ohio	5.66
Indiana	8,385,495	North Carolina	96.37	Minnesota	82.12	Maryland	63.08	Montana	64.14	Idaho	5.58
Tennessee	7,837,795	Minnesota	96.09	Missouri	81.63	Utah	61.39	Maryland	63.92	Tennessee	5.44
Maryland	7,303,489	Washington	95.16	New Hampshire	81.15	Virginia	60.91	Delaware	63.71	Missouri	5.41
Iowa	6,917,274	Iowa	94.76	North Carolina	80.88	Montana	60.68	New Jersey	63.20	Wisconsin	5.41
Louisiana	6,213,377	Idaho	93.97	New Jersey	80.72	Rhode Island	60.63	West Virginia	62.88	Georgia	5.20

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
Oregon	5,600,727	Kentucky	92.53	California	80.28	Michigan	60.52	Kansas	62.59	North Carolina	5.10
Arizona	5,423,112	Missouri	92.52	New York	80.03	Texas	60.51	North Carolina	62.16	West Virginia	4.90
Kentucky	5,208,111	Colorado	92.36	Idaho	78.58	Delaware	60.41	New Mexico	61.32	Maryland	4.88
Connecticut	4,865,914	Illinois	92.19	Nebraska	77.72	Maine	60.30	Arkansas	60.87	Florida	4.80
Colorado	4,750,251	Oregon	91.71	Kentucky	77.51	Oregon	60.09	Oregon	60.72	New York	4.79
Alabama	4,020,646	Massachusetts	91.22	Maryland	74.65	Colorado	57.69	Mississippi	60.46	New Hampshire	4.75
West Virginia	3,879,643	Kansas	91.19	Michigan	74.50	Arkansas	57.09	Tennessee	60.05	New Jersey	4.74
Oklahoma	3,643,878	Arkansas	90.57	Georgia	74.47	Florida	56.72	Georgia	59.16	Washington	4.74
Nebraska	3,475,303	Maryland	90.57	Kansas	74.41	Idaho	55.81	New York	59.02	Arizona	4.73
South Carolina	3,321,883	New York	90.33	Alabama	73.93	Virgin Islands	55.66	Rhode Island	58.03	Louisiana	4.71
Kansas	3,289,970	Virginia	89.34	Arizona	73.91	Louisiana	55.45	Indiana	58.01	Alaska	4.54
Utah	3,288,628	Connecticut	87.87	Delaware	73.83	Tennessee	55.43	Massachusetts	57.86	Hawaii	4.39
Puerto Rico	3,268,672	West Virginia	87.65	Massachusetts	73.60	Connecticut	55.38	Virginia	57.76	Maine	4.27
Mississippi	3,222,870	Michigan	86.46	Ohio	72.69	Kentucky	55.31	Louisiana	57.64	Alabama	4.26
Arkansas	2,490,610	South Carolina	84.67	Florida	72.18	Hawaii	55.30	California	56.03	Minnesota	4.22
Idaho	2,389,857	Georgia	83.69	Louisiana	71.99	Puerto Rico	55.28	Connecticut	55.51	Utah	4.03
Maine	2,167,195	Utah	83.47	South Carolina	71.23	Alaska	54.96	Oklahoma	55.18	Montana	4.02
Nevada	1,826,744	Wyoming	82.90	Connecticut	69.52	Missouri	54.69	Idaho	54.66	Vermont	3.91
Alaska	1,809,329	Nebraska	82.49	Indiana	69.39	Kansas	54.52	South Carolina	53.80	Oklahoma	3.79
New Hampshire	1,650,128	Indiana	82.28	Oklahoma	69.09	Mississippi	53.47	Kentucky	53.44	Arkansas	3.68

State	Incentive Payments (dollars)	State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effective Score
North Dakota	1,560,854	Louisiana	81.93	Oregon	67.41	Illinois	53.29	Michigan	53.18	Colorado	3.68
South Dakota	1,466,513	Alabama	81.89	Puerto Rico	66.37	District of Columbia	52.89	Maine	52.96	Connecticut	3.68
Hawaii	1,431,973	Arizona	81.11	Tennessee	64.84	Indiana	52.82	Puerto Rico	52.55	Illinois	3.68
Rhode Island	1,211,250	Tennessee	80.48	Nevada	62.41	Georgia	52.56	Missouri	52.10	Nebraska	3.57
Wyoming	1,163,702	Virgin Islands	79.56	Guam	60.18	Alabama	51.74	Arizona	51.37	Kansas	3.39
New Mexico	1,055,389	Guam	79.27	New Mexico	59.83	Oklahoma	50.11	Guam	50.33	Delaware	3.10
Montana	1,028,469	Delaware	79.14	Illinois	59.35	New Mexico	50.00	Alabama	49.96	Nevada	2.98
Vermont	977,267	Mississippi	77.80	Hawaii	58.30	California	49.27	Nevada	49.60	District of Columbia	2.45
Delaware	900,305	Rhode Island	77.02	Rhode Island	57.18	South Carolina	47.41	Virgin Islands	47.78	California	2.15
District of Columbia	598,507	District of Columbia	74.81	Virgin Islands	55.41	Guam	47.33	Illinois	45.91	Guam	2.11
Guam	119,823	Nevada	66.30	Mississippi	53.63	Nevada	45.68	District of Columbia	43.68	Virgin Islands	2.11
Virgin Islands	108,972	New Mexico	54.05	District of Columbia	39.60	Arizona	44.36	Hawaii	41.36	New Mexico	2.10

**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The paternity establishment percentage can be greater than 100% because states can take credit for paternities established for children of any age and compare that number established to the number of births outside of marriage for a single year.

**Table B-6. Child Support Enforcement Unaudited Incentive Performance Scores, FY2006**

(arranged by highest performing state to lowest performing state)

State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
Oklahoma	122.12	South Dakota	92.98	Pennsylvania	74.65	Pennsylvania	75.21	Mississippi	9.45
North Dakota	114.40	Alaska	92.24	North Dakota	73.42	New Hampshire	72.18	Indiana	8.92
New Hampshire	113.20	Washington	89.86	Wisconsin	70.64	Vermont	70.68	South Dakota	8.23
New Jersey	113.20	Wyoming	89.09	South Dakota	69.47	North Dakota	70.15	Texas	7.52
Utah	112.18	Montana	87.96	Ohio	69.14	Wyoming	69.38	South Carolina	7.40
California	109.88	Utah	87.83	Minnesota	68.83	South Dakota	68.53	Virginia	6.58
Montana	108.68	Maine	87.67	Vermont	67.46	Utah	68.46	Pennsylvania	6.45
South Dakota	108.68	North Dakota	87.50	Nebraska	67.44	Texas	67.35	Ohio	6.29
Idaho	104.84	Colorado	86.29	Wyoming	65.85	Washington	67.34	Wyoming	6.29
Hawaii	103.31	Iowa	85.87	Iowa	65.66	Colorado	67.30	Georgia	6.18
West Virginia	102.57	Vermont	85.87	North Carolina	65.64	Ohio	67.30	Kentucky	6.16
Vermont	101.01	West Virginia	85.42	New Jersey	65.57	Iowa	67.18	Tennessee	6.08
Wisconsin	100.23	Virginia	85.19	Massachusetts	65.44	Alaska	66.51	North Dakota	5.86
Arkansas	100.13	Pennsylvania	84.50	New York	64.91	Minnesota	66.22	Oregon	5.86
Pennsylvania	100.11	Wisconsin	83.81	West Virginia	64.48	Montana	65.41	Iowa	5.79
Puerto Rico	99.29	Arkansas	83.61	New Hampshire	64.38	Nebraska	65.21	Wisconsin	5.79
Florida	99.22	Missouri	82.81	Washington	64.33	New Jersey	63.77	Massachusetts	5.59
Illinois	98.32	Texas	82.74	Maryland	64.19	Maryland	63.72	Missouri	5.58
Washington	98.00	Minnesota	82.54	Utah	63.57	Florida	63.71	Puerto Rico	5.43
Alaska	97.95	New	82.54	Texas	62.33	New Mexico	63.62	Idaho	5.35

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State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
		Hampshire							
North Carolina	97.71	New Jersey	82.03	Virginia	61.61	North Carolina	63.40	Michigan	5.29
Minnesota	96.48	New York	81.60	Montana	61.49	Kansas	63.28	Maryland	5.20
Massachusetts	96.46	North Carolina	81.05	Michigan	61.38	Arkansas	62.51	Hawaii	5.00
Maine	96.34	California	80.57	Maine	61.05	Oregon	62.51	West Virginia	5.00
Iowa	95.53	Michigan	79.79	Delaware	60.48	Delaware	62.32	North Carolina	4.97
Ohio	95.25	Kentucky	79.73	Oregon	60.42	Mississippi	61.35	New York	4.75
Nebraska	95.23	Idaho	79.49	Rhode Island	59.23	West Virginia	61.34	New Hampshire	4.70
Colorado	92.99	Nebraska	78.42	Colorado	59.09	Tennessee	60.56	Rhode Island	4.70
Texas	92.96	Maryland	77.66	Arkansas	59.02	Georgia	60.24	Florida	4.60
Missouri	92.91	Arizona	76.48	Virgin Islands	57.17	Oklahoma	59.92	Louisiana	4.58
Oregon	92.05	Georgia	75.67	Hawaii	56.93	Wisconsin	59.03	New Jersey	4.56
Connecticut	91.99	South Carolina	75.65	Kentucky	56.64	Indiana	58.82	Washington	4.41
New York	91.75	Delaware	75.11	Idaho	55.86	New York	58.81	Alabama	4.38
Virginia	91.69	Massachusetts	74.85	Missouri	55.68	Massachusetts	58.54	Arizona	4.35
Kansas	91.48	Kansas	74.72	Tennessee	55.68	Rhode Island	58.44	Utah	4.28
Kentucky	91.39	Florida	73.79	Kansas	55.29	Virginia	58.09	Alaska	4.27
Maryland	90.75	Ohio	73.33	Puerto Rico	55.07	Connecticut	57.73	Montana	4.19
Michigan	90.71	Louisiana	73.10	Connecticut	54.99	Kentucky	56.92	Maine	4.16
Tennessee	89.48	Connecticut	70.99	Alaska	54.90	California	56.46	Arkansas	4.08
Georgia	87.30	Oklahoma	69.63	Florida	54.38	Louisiana	55.93	Minnesota	4.05
Indiana	86.19	Indiana	68.44	Mississippi	54.32	Arizona	55.49	Oklahoma	3.99

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State	Paternity Establishment Percentage	State	Cases with Orders Percentage	State	Current Collections Percentage	State	Arrearage Cases Percentage	State	Cost-Effectiveness Score
Rhode Island	86.15	Puerto Rico	67.44	Louisiana	54.05	Maine	55.02	Colorado	3.94
Wyoming	86.07	Illinois	66.86	Indiana	53.82	Michigan	54.30	Illinois	3.84
Arizona	84.27	Nevada	66.80	New Mexico	52.97	Idaho	54.05	Vermont	3.80
South Carolina	84.24	Oregon	66.36	Alabama	52.87	Missouri	53.36	Nebraska	3.78
Virgin Islands	83.53	Tennessee	63.87	Oklahoma	52.68	South Carolina	52.98	Connecticut	3.74
Alabama	81.69	New Mexico	63.24	District of Columbia	52.53	Puerto Rico	52.37	Kansas	3.38
Delaware	81.61	Guam	58.80	Georgia	51.93	Nevada	51.53	Nevada	3.34
Louisiana	81.07	Rhode Island	58.57	Illinois	51.76	Illinois	51.29	Delaware	2.70
Mississippi	79.98	Hawaii	58.53	California	50.39	Guam	49.46	District of Columbia	2.55
District of Columbia	78.09	Virgin Islands	55.46	South Carolina	49.31	Virgin Islands	47.61	New Mexico	2.36
Guam	77.29	Mississippi	54.13	Arizona	46.55	District of Columbia	41.66	Virgin Islands	2.13
Nevada	69.35	Alabama	50.91	Guam	46.39	Hawaii	41.01	California	2.03
New Mexico	59.44	District of Columbia	45.43	Nevada	45.92	Alabama	N.A.	Guam	1.84

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**Source:** Table prepared by the Congressional Research Service based on data from the Office of Child Support Enforcement, Department of Health and Human Services.

**Note:** The paternity establishment percentage can be greater than 100% because states can take credit for paternities established for children of any age and compare that number established to the number of births outside of marriage for a single year.

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